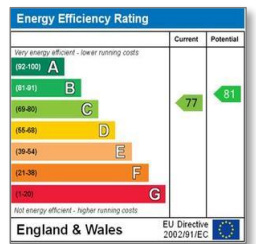




Leicester City Local Housing Needs Assessment 2019

Report of Findings

September 2020





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Executive Summary

Summary of Key Findings and Conclusions

Introduction

1. Opinion Research Services (ORS) was commissioned by Leicester City Council to prepare a Local Housing Needs Assessment (LHNA) for the period 2019-2036 to identify the minimum Local Housing Need (LHN) using the standard method set out in Planning Practice Guidance (PPG). The study also considers the type and tenure of dwellings required in Leicester and the needs of many sub-groups in the population. This LHNA adheres to the requirements of the new National Planning Policy Framework (NPPF) published in July 2018 (and updated in February 2019) and the associated Planning Practice Guidance (PPG), in particular the section on housing and economic needs assessment.

Government Policy

2. The Government published the original National Policy Planning Framework (the Original NPPF) in 2012. This set out the planning policies for England and how these were expected to be applied. A revised version of the National Policy Planning Framework (the Revised NPPF) was published in July 2018. The Revised NPPF was updated in February 2019 to incorporate a number of detailed changes following a technical consultation.
3. Under the Revised NPPF, local planning authorities are still responsible for assessing their local housing needs; however, Paragraph 60 identifies that *“strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach”*. This represents a significant change, as the standard method sets out a formulaic approach to determine the minimum Local Housing Need (LHN) figure and prescribes the use of specific data for the calculation.
4. The Revised NPPF has also introduced a new definition for affordable housing. Whilst the Original NPPF identified in the Glossary at Annex 2 that affordable housing should be provided for households *“whose needs are not met by the market”*, the Revised NPPF adds that this includes *“housing that provides a subsidised route to home ownership and/or is for essential local workers”*. This has led to a specific change in the Planning Practice Guidance (PPG) for assessing affordable housing need. On this basis, the needs of households able to afford market rent who aspire to but are unable to afford homeownership must now be counted.
5. In August 2020, the government opened the consultation process for a series of wide-ranging reforms to the planning system in England. The government are consulting on a new standard method which would significantly change the level of housing need for most local authorities across England. This includes Leicester where the new methodology would generate a new need of 1,119 dwellings per annum, compared to the current figure of 1,734 dwellings per annum. However, the changes are currently only a consultation which does not close until October 2020, so we have not utilised the proposed figures in this study. If the figure of 1,119 dwellings per annum, or a similar figure were to be adopted, this would not only change the overall housing need for Leicester, but also the need for affordable housing and specialist older person and adapted housing.

Local Housing Need based on Current Method

6. The NPPF confirms that planning authorities should normally use the standard methodology to establish a minimum Local Housing Need (LHN) figure. Using the process set out in Planning Practice Guidance for Housing Need Assessment [ID 2a-004-20190220] the minimum annual Local Housing Need figure for 2020 can be established as follows:

Figure 1: Establishing the minimum LHN figure for Leicester (Source: CLG, ORS; Note: All figures rounded to the nearest whole number)

	Leicester
Step 1: Setting the baseline	
Total households 2020	136,303
Total households 2030	151,037
10-year change 2020-2030	14,734
Annual average	1,473
Step 2: An adjustment to take account of affordability	
Median workplace-based affordability ratio	6.83
Adjustment factor	17.66%
Affordability uplift	260
Uncapped housing need	1,734
Step 3: Capping the increase	
Adoption date of most recent Local Plan	July-2014
Annual requirement	1,280
[A] Annual requirement with 40% uplift applied	1,792
Household projection with 40% uplift applied	2,063
Strategic policies for housing up to date	No
Local Housing Need	1,734

7. Based on these calculations, the minimum Local Housing Need figure is 1,734 dwellings per annum. This translates to 29,478 dwellings (1,734 x 17) across the 17-year period.
8. Since the uncapped housing need figure is lower than both Cap A and Cap B the capping policy will have no influence in Leicester at this stage. Technically, the LHN figure is capped at 40% above the latest household projections because the plan was adopted more than five years ago.
9. It is important to recognise that the Government has opened a consultation to comprehensively review the standard method over the next few months. It may therefore be necessary to update the LHNA if the Government chooses to adopt a different methodology following the proposed review of the formula.

Establishing Current Unmet Need for Affordable Housing

10. To assess the current need for affordable housing, we calculated the number of households in Leicester who are not suitably housed and who are unable to afford market housing. These include; all households that are currently homeless, those who currently housed in temporary accommodation, concealed families living as part of another household, households overcrowded in the social or private rented sector, and people otherwise not counted who are in a reasonable preference category on the housing register. Figure 2 sets out the assessment of current affordable housing need for Leicester.

Figure 2: Assessing current unmet gross need for affordable housing - households (Sources: CLG P1E returns; Census 2001 and 2011; English Housing Survey; DWP Housing Benefit; CLG Local Authority Housing Statistics)

	Affordable Housing			Increase in Overall Need
	Gross Need	Supply	Net Need	
Homeless households in priority need [Source: CLG P1E returns]				
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	123		123	123
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	9		9	
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	0	0	0	
Households accepted as homeless but without temporary accommodation provided	0		0	0
Concealed households [Source: Census 2001 and 2011]				
Growth in concealed families with family representatives aged under 55	1,187		1,187	1,187
Overcrowding based on the bedroom standard [Source: Census 2011 and English Housing Survey]				
Households living in overcrowded private rented housing	1,749		1,749	
Households living in overcrowded social rented housing	2,942	2,942	0	
Reduction in spare rooms [Source: DWP Housing Benefit]				
Households likely to move from under-occupied social rented housing	1,198	1,198	0	
Other households living in unsuitable housing that cannot afford their own home [Source: CLG LAHS]				
People (within a household) who need to move on medical or welfare grounds, including grounds relating to a disability	419	42	377	
People who need to move to a particular locality in the borough of the authority, where failure to meet that need would cause hardship	7	1	6	
TOTAL	7,634	4,183	3,451	1,310

11. Our analysis has concluded that **7,643 households are currently living in unsuitable housing in Leicester and unable to afford their own housing**. This number includes 1,310 households that would not be counted by the household projections because of their being homeless or concealed households and these are counted separately in the 'Increase in Overall Need' column.
12. Of the 7,643 households in current need, 4,183 currently occupy affordable housing that does not meet the households' current needs. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 3,451 households (7,634 less 4,183 = 3,451) who currently need affordable housing and do not currently occupy affordable housing in Leicester.**

Overall Need for Affordable Housing

13. In addition to those who cannot currently afford market housing, it is also necessary to consider those households who will arise in the future and also those who can afford market rents, but aspire to home ownership. Figure 3 brings together all this information.
14. The figures allow for all households who cannot afford market housing, namely 6,389 who require social rent and 2,241 who require affordable rent. In practice, if a household is not able to afford social rent, they will receive housing benefit or universal credit to assist with their housing costs, and this will apply irrespective of whether they are allocated a social or affordable rented property. Therefore there is flexibility in terms of property types between social and affordable rent in that social rents are cheaper, but affordable rent is more viable and both are covered by housing benefit or universal credit if required.
15. In terms of affordable home ownership, we have included all households who would qualify for shared ownership and also those who would qualify for First Homes.
16. The market housing figure contains both market rent and owned occupied dwellings. If there is not an improvement in affordability, market rent will grow by around 6,000 dwellings for those who aspire to own, plus further potential growth from student households and also from households receiving housing benefit in the private rented sector if insufficient affordable to rent is supplied. The number of owner occupiers in Leicester fell between 2001 and 2011 and unless affordability improves this trend will continue. Therefore the expectation is that much if not all of the market need is for private rent. While new build dwellings may be occupied as owner occupied, it is often the case that the second hand homes left behind by those moving to new estates will become private rented properties.

Figure 3: Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size
(Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Affordable Dwellings			Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford		Affordable Home Ownership			
	Social rent	Affordable Rent				
Leicester						
1 bedroom	78	6	1,224	1,308	1,502	2,810
2 bedrooms	2,181	726	1,919	4,827	3,022	7,849
3 bedrooms	2,756	1,066	408	4,230	11,235	15,465
4+ bedrooms	1,373	442	26	1,841	1,032	2,874
DWELLINGS	6,389	2,241	3,576	12,206	16,791	28,997
C2 Dwellings	-	-	-	-	481	481
LHN	6,389	2,241	3,576	12,206	17,272	29,478

17. The identified housing need would need to be considered in the context of economic viability when establishing appropriate targets for affordable housing. However, given the evidence it would be appropriate to maximise the amount of affordable housing that is delivered.

Income Needed for Affordable Home Ownership

18. The income needed to purchase affordable home ownership properties such as through the First Homes scheme will depend on the house price together with the mortgage income multiplier and the available deposit (or percentage loan to value). To give an illustrative example, taking a 1-bedroom property in Leicester:
- » The lower quartile price recorded was £126,000;
 - » 60% of this price would be £75,600;
 - » Based on a 90% loan-to-value mortgage and using a mortgage income multiplier of 3.5x would therefore need an annual income of £19,500.
19. Figure 4 shows the levels of income required for a range of property sizes across Leicester. It should be stressed that these are based upon the lower quartile new build prices and a 40% discount on open market sales. They therefore represent the minimum incomes levels which will be required to purchase from schemes such as First Homes and in reality, most purchasers will have higher incomes.

Figure 4: Annual income required to Affordable to Own proprieties based on 60% of market price, a 10% deposit and 3.5 times income mortgage by property size (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)

Property Type	Lower Quartile price	60% of Lower Quartile price	Annual Income Needed to Own at Lower Quartile Prices and 60% of market prices
1 bedroom	£126,000	£75,600	£19,500
2 bedrooms	£197,000	£118,200	£30,400
3 bedroom	£265,000	£159,000	£40,900
4+ bedrooms	£302,000	£181,200	£46,600

Studio Apartments

20. Figure 3 identifies a need for around 1,500 market 1-bedroom properties in Leicester over the period 2019-36. However, this assumes that there is continuation of household formation trends in the city which will see the majority of these small market dwellings being identified for older person households.
21. One very startling statistic from the demographic data for Leicester is that while the number of single persons aged 25-34 years is projected to rise by nearly 1,000, single person households aged 25-34 years are projected to fall by 2036. At the heart of this issue is that in areas with large student population like Leicester, many recent graduates will not form their own household immediately, but will instead share properties with other young adults.
22. It is difficult to project a need for studio apartments because it may be that many young people prefer to share and save for their own property rather than have their own more expensive separate unit. However, the scale of the student numbers in Leicester would suggest that there is a market for post-student self-contained units and that this is likely in turn to reduce the need for larger market properties to be converted to HMOs. However, as with any active policy, there are risks of an over-supply of small dwellings which would exclude the ability of families to form in the area.

Student Housing

23. There are two major Higher Education Institutions (HEIs) in Leicester which are covered by Higher Education Statistics Agency (HESA) publications: University of Leicester and the De Montfort University. They had a combined total of 43,100 student registered in the 2017/18 academic year, which represents an increase of around 5,465 students since 2014/15 when there were 37,645 students registered. The change has largely been associated with a larger number of undergraduate students registered at the De Montfort (which has increased from 16,020 in 2014/15 to 20,855 in 2017/18). However, it should be remembered that not all the students live in Leicester City, with for example the University of Leicester having a campus in Oadby. The Council estimate that there are around 25,000 students from these two universities living in Leicester at any one time.
24. Leicester College is also situated in Leicester. Leicester College has 26,000 students but these students are predominantly local and do not require additional accommodation.

Figure 5: Students at the two largest Higher Education Establishments (Source: HESA, January 2019)

	Academic Year			
	2014/15	2015/16	2016/17	2017/18
UNIVERSITY OF LEICESTER				
Undergraduate	11,030	11,505	12,075	12,555
Postgraduate	6,965	6,315	4,725	4,855
University of Leicester Total	17,995	17,820	16,800	17,410
DE MONTFORT UNIVERSITY				
Undergraduate	16,020	17,140	19,125	20,855
Postgraduate	3,630	3,765	4,080	4,845
De Montfort University Total	19,650	20,905	23,205	25,700

25. Currently there are 8,389 'student exempt properties' which do not have to pay council tax because of being all-student households in the Leicester. At the time of the 2011 Census there were 5,604 private sector dwellings occupied by all student households in Leicester, at an average occupancy of 2.5 students per dwellings.
26. On this basis, there has been a very significant growth in the number of students occupying private sector dwellings in Leicester, which will have increased the pressure on the housing stock of the city particularly as there has also been a growth in households in receipt of housing benefit in the private rented sector and a growth in households renting privately.
27. In the past 4 years the Council has granted planning permission for nearly 4,000 student bedspaces, with many of these properties having already been delivered. However, this number is not even sufficient to keep pace with the change in student numbers since 2014. Therefore, there is a strong case for further development of purpose-built student accommodation in the city.
28. The household projections show a further growth of 1,920 'Other Households' projected for Leicester, with the vast majority of these projected to be students. To address the needs of the students in the 1,920 other households would require a further **4,800 bedspace to be provided over the next 17 years**. However, this does assume that student numbers continue to rise at the universities. If the impact of COVID 19, and Brexit limits the growth of student numbers in Leicester then fewer student bedspaces are required.

Housing for Older People

29. The table below identifies the potential requirement for new specialist older person housing.

Figure 6: Modelled Demand for Older Person Housing in Leicester based on Housing LIN Toolkit

		Rate per 1,000 persons aged 75+	Gross need 2019	Existing supply	Backlog at start of period	Gross need 2036	New need 2019-36	Overall need
Sheltered Housing	Owned	120	2,288	140	+2,148	3,638	+1,351	+3,498
	Rented	60	1,144	1,124	+20	1,819	+675	+695
Extra Care	Owned	40	763	0	+763	1,213	+450	+1,213
	Rented	31	591	248	+343	940	+349	+692
TOTAL		251	4,786	1,512	+3,274	7,610	+2,825	+6,098

30. The analysis of the need for specialist older person housing identifies a backlog of 3,274 dwellings at the start of the Plan period in 2019. Over the 17-year Plan period 2019-36, this analysis identifies an increase in need of around 2,825 additional homes; yielding a total need of around 6,098 dwellings to be provided, which would account for most of the need for small dwelling sin Leicester. However, these figures are based upon idealised outcomes for Leicester. If current rates of provision were to continue a further 900 specialist older person dwellings would be required.

Housing for People with Disabilities

31. The data shows that around 12,663 households living in Leicester in 2019 had a health problem that already affected their housing requirement, including 1,203 who had unmet needs and require to move to an adapted home. By 2036 there will be an additional 20,557 households either already experiencing health problems or likely to develop health problems within 10 years.
32. To provide adapted housing for all of the identified need would require housing for up to 21,760 households to be provided. However, not all households will want to move to new housing – some will adapt their current homes and others will move to another dwelling in the existing stock. Based on the housing mix in Leicester, it is likely that around 53% will live in dwellings that could be converted, implying at least 10,821 additional adapted homes will be required. This figure includes around 1,500 dwellings which will require to be adapted to the needs of wheelchair users.

Figure 7: Households with a long-term illness or disability in Leicester in 2019 by effect on housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	TOTAL
Existing need in 2019	
Households where an existing illness or disability affects their housing need and need to move in 2019	1,203
Projected future need 2019-36	
Additional households in 2036 where illness or disability affects their housing need or will develop within 10 years	20,557
Maximum need for adapted housing 2019-36 (households)	21,760
Less households living in dwellings adaptable to M4(1) standard	10,939
Minimum need for adapted housing 2019-36 (households)	10,821

1. Introducing the Study

Background to the project and wider policy context

Introduction

- 1.1 Opinion Research Services (ORS) was commissioned by Leicester City Council to prepare a Local Housing Needs Assessment (LHNA) for the period 2019-2036 to identify the minimum Local Housing Need (LHN) using the standard method set out in Planning Practice Guidance (PPG). The study also considers the type and tenure of dwellings required in Leicester and the needs of many sub-groups in the population. This LHNA adheres to the requirements of the new National Planning Policy Framework (NPPF) published in July 2018 (and updated in February 2019) and the associated Planning Practice Guidance (PPG), in particular the section on housing and economic needs assessment.

Government Policy

- 1.2 The Government published the National Planning Policy Framework (the Original NPPF) in 2012. This set out the planning policies for England and how these were expected to be applied.
- 1.3 The Original NPPF had a presumption in favour of sustainable development, and paragraph 47 stated that Local Plans should meet *“the full, objectively assessed needs for market and affordable housing in the housing market area”*. The responsibility for establishing housing need rested with the local planning authority and Paragraph 159 of the Original NPPF set out that they *“should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries”*.
- 1.4 A revised version of the National Planning Policy Framework (the Revised NPPF) was published in July 2018. Whilst the Revised NPPF maintains the underlying theme of sustainable development, several significant changes have been introduced in relation to identifying and meeting housing needs. The Revised NPPF was updated in February 2019 to incorporate a number of detailed changes following a technical consultation. Whilst most of the changes appear relatively minor, they may have a substantial impact on identifying and meeting housing needs in some areas. The results of the consultation were summarised in the document *“Government response to the technical consultation on updates to national planning policy and guidance”*.
- 1.5 Under the Revised NPPF, local planning authorities are still responsible for assessing their local housing needs; however, Paragraph 60 identifies that *“strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach”*. This represents a significant change, as the standard method sets out a formulaic approach to determine the minimum Local Housing Need (LHN) figure and prescribes the use of specific data for the calculation. Therefore, whilst the responsibility for establishing housing requirement continues to rest with the local planning authority, this is now constrained to a minimum figure that is determined centrally by the Government.
- 1.6 Local planning authorities no longer have to prepare a Strategic Housing Market Assessment (SHMA) for the Housing Market Area (HMA), but they are now expected to produce a Local Housing Need Assessment (LHNA) for their local area in order to assess the size, type and tenure of housing needed for different groups in the community.

- 1.7 This focus on local area has led to a change in the Duty to Cooperate, where neighbouring authorities now have to produce Statements of Common Ground. Whilst HMAs are no longer mentioned explicitly in the Revised NPPF, Paragraph 60 identifies that *“any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for”*; and PPG identifies that HMAs are still one of the factors which must be considered when determining the relevant cross-boundary areas for plan-making [ID 61-017-20190315 and 61-018-20190315]. This issue is clearly important for Leicester given its constrained land supply situation.
- 1.8 The Revised NPPF has also introduced a new definition for affordable housing. Whilst the Original NPPF identified in the Glossary at Annex 2 that affordable housing should be provided for households *“whose needs are not met by the market”*, the Revised NPPF adds that this includes *“housing that provides a subsidised route to home ownership and/or is for essential local workers”*. This has led to a specific change in the Planning Practice Guidance (PPG) for assessing affordable housing need.
- 1.9 Under the Original NPPF, the need for affordable housing was based on those who could not afford to either buy or rent in the market – so households able to afford market rent would not be counted as part of the affordable housing need, even if they could not afford homeownership. However, the latest PPG states that assessments must now include the needs of *“those that cannot afford their own homes, either to rent, or to own, where that is their aspiration”* [ID 2a-020-20190220]. On this basis, the needs of households able to afford market rent who aspire to but are unable to afford homeownership must now be counted.

The Standard Method for Local Housing Need Assessment

- 1.10 The Original NPPF and associated PPG set out a methodology for establishing an Objectively Assessed Need for housing in a defined HMA. This methodology required that *“Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need”*, but allowed for adjustment based on local factors: *“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.”* Adjustments could therefore be made if there were concerns around the quality of local data (e.g. inaccurate migration estimates), along with evidence-based judgements on other need adjustments such as market signals uplift and alignment of jobs and workers based on local circumstances.
- 1.11 On 14 September 2017, the Department of Communities and Local Government (CLG) published a consultation on potential revisions to the NPPF, including a standardised methodology for calculating the Local Housing Needs (LHN). This included a number of key proposals.

- » [The starting point for calculating the LHN for any area should be the most up to date household projections published by CLG;](#)
- » While, deviation from this starting point can be considered, the consultation proposals note that; [There should be very limited grounds for adopting an alternative method which results in a lower need;](#) and
- » The household projections published by CLG should be uplifted by a fixed affordability relationship based upon the ratio of house prices to earnings. The maximum uplift for a local authority area will be 40% above its CLG household projections or current Local plan housing target.

- 1.12 CLG produced a spreadsheet of indicative housing needs figures which covered every local authority area in England based on the most up to date data at the time, the 2014 based household projections.
- 1.13 The Revised NPPF confirms that planning authorities should use the standard methodology for plan-making, though alternative methodologies which result in a higher housing need figure may still be deemed appropriate. Therefore, the standard method identifies the minimum number of homes expected to be planned for. It does not produce a housing requirement figure. The LHN figure represents a minimum overall housing need, but local authorities can consider a higher figure for plan making if, for example, this reflects growth potential, or unmet need from elsewhere. This is confirmed by PPG, which states:

When might it be appropriate to plan for a higher housing need figure than the standard method?

The government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.

This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:

- » *growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
- » *strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*
- » *an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground;*

There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.

Paragraph: 010 Reference ID: 2a-010-20190220

- 1.14 PPG also suggests that local planning authorities will need to calculate their local housing need figure at the start of the plan-making process but that this number should be kept under review and revised where appropriate.
- 1.15 The housing need figure may change as the inputs are variable and this should be taken into consideration. It may therefore be prudent to consider a number that is higher than the minimum LHN to provide a buffer against possible future changes when testing different alternatives while reviewing local plans.

Changes to the Standard Method

- 1.16 Since the publication of the figures in September 2017 a range of new data has been released which allows for the calculation to be updated. This includes:
- » New affordability data released in March 2020 (for 2019);
 - » 2016-based and 2018-based sub-national population projections (SNPP) released in May 2018 and May 2020;
 - » A new methodology for calculating household projections released by the Office for National Statistics in June 2018; and
 - » 2016-based household projections released in September 2018 and 2018 based household projections released in June 2020.
- 1.17 The national housing need produced using these new data is lower than previous estimates, falling short of the Governments stated 300,000 dwelling per year target. As a consequence, the Ministry for Housing, Communities and Local Government (MHCLG) consulted on changes to the standard method approach, and on 26 October 2018 published "Technical consultation on updates to national planning policy and guidance October 2018".
- 1.18 At paragraph 19 of the document, MHCLG set out their planned changes to the standard method, explicitly stating that the lower housing numbers that are derived from application of the standard method to the ONS produced 2016-based household projections should not be used, and that these do not qualify as an exceptional circumstance to warrant deviation from the standard method outputs using the CLG 2014-based projections:

19. The Government considers that the best way of responding to the new ONS household projections and delivering on the three principles in paragraph 18 above is to make three changes:

- » *1. For the short-term, to specify that the 2014-based data will provide the demographic baseline for assessment of local housing need.*
- » *2. To make clear in national planning practice guidance that lower numbers through the 2016-based projections do not qualify as an exceptional circumstance that justifies a departure from the standard methodology; and*
- » *3. In the longer term, to review the formula with a view to establishing a new method that meets the principles in paragraph 18 above by the time the next projections are issued.*

- 1.19 Following on from this general context, the consultation asked the following specific questions:

Question 1

Do you agree that planning practice guidance should be amended to specify that 2014- based projections will provide the demographic baseline for the standard method for a time limited period?

Question 2

Do you agree with the proposed approach to not allowing 2016-based household projections to be used as a reason to justify lower housing need?

- 1.20 After considering the consultation responses received, the “Government response to the technical consultation on updates to national planning policy and guidance” was published on 19 February 2019.
- 1.21 Despite a majority of consultees disagreeing with the proposal at Question 1, the Government still considers that its proposed approach is the most appropriate in the short-term.

Government response to Question 1

Having taken the responses into account, the Government considers that its proposed approach to providing the demographic baseline for the standard method is the most appropriate approach for providing stability and certainty to the planning system in the short-term. This decision has been taken in the context that the standard method does not represent a mandatory target for local authorities to plan for, but the starting point for the planning process. Local planning authorities may decide that exceptional circumstances justify the use of an alternative method, but they will need to identify these reasons and can expect them to be tested by the Planning Inspectorate during the examination of their plans. Local authorities may also not be able to meet their identified housing need in full, for example because of land constraints (such as Green Belt) in their area and it may be that need is better met elsewhere. The proposed approach does not change this.

- 1.22 On this basis, it would appear that any deviation from the standard methodology should only be considered if exceptional circumstances can be demonstrated. Nevertheless, the revisions to PPG [ID 2a-015-20190220] clarify that an alternative approach that identifies a need higher than using the standard method will be considered sound, providing that it adequately reflects current and future demographic trends and market signals, given that it will have exceeded the minimum starting point. Any figure lower than that identified using the standard method will need to be justified through exceptional local circumstances.
- 1.23 The Government’s response goes on to say:

Over the next 18 months we will review the formula and the way it is set using National Statistics data with a view to establish a new approach that balances the need for clarity, simplicity and transparency for local communities with the Government’s aspirations for the housing market.

A key consideration of the standard method is to provide a degree of continuity between assessments of housing need over time. The changes to underlying assumptions in the population projections and methodological improvements to the household projections had led to significant variations in housing need at a local level, something that needs addressing in the short term.

- 1.24 The end of the 18-month period that the Government ran to August 2020 and this has coincided with the consultation on a new standard method for LHN.
- 1.25 The Government has made it clear that it does not doubt the accuracy of the ONS 2016-based projections, as stated in the consultation: “*the Government is clear that this does not mean that it doubts the methodological basis of the 2016-based household projections.*” (again from the Question 1 response).
- 1.26 However, in its response to Question 2, the Government has made it clear that the existence of the lower 2016-based projections is not a justification for a lower local housing need assessment, despite further disagreement from respondents to the consultation.

Government response to Question 2

Taking into account these responses, the Government continues to think that the 2016- based household projections should not be used as a reason to justify lower housing need. We understand respondents' concerns about not using the latest evidence, but for the reasons set out in the consultation document we consider the consultation proposals to be the most appropriate approach in the short-term. We are specifying in planning guidance that using the 2016-based household projections will not be considered to be an exceptional circumstance that justifies identifying minimum need levels lower than those identified by the standard method.

- 1.27 It seems likely that the concerns about not using the latest evidence will ultimately be tested in the courts. Whilst there are some uncertainties about the new method for calculating household formation that ONS has introduced for the 2016-based household projections, the 2016-based sub national population projections are based on a method that is largely consistent with that used for the 2014-based population projection but using more up-to-date data and based on improved mid-year population estimates. As part of the 2016-based household projections publication, the ONS included an output which applied the previous CLG 2014-based household formation rates to the new 2016-based population projection (variant output 2) which provides up-to-date figures using the previous method.

Assessing Housing Needs

- 1.28 The Revised NPPF no longer requires local planning authorities to produce a SHMA to establish housing need for HMAs, but instead requires local planning authorities:

60. To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for.

61. Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes.

62. Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:

- a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and*
- b) the agreed approach contributes to the objective of creating mixed and balanced communities.*

National Planning Policy Framework 2019 (NPPF), paragraph 60-62

- 1.29 Therefore, the new NPPF does not contain any explicit reference to SHMAs and housing needs are to be established at a local authority level. However, a Local Housing Needs Assessment (LHNA) must now be prepared which will establish a minimum Local Housing Need (LHN) figure using the standard method set out in PPG [ID 2a-004-20190220]. In addition, the LHNA will need to identify the size, type and tenure of housing needed for a range of different groups in the community, which is largely consistent with the scope for

SHMAs that the Original NPPF identified. These figures will then have to be considered against the viability of the area to assess their deliverability.

- ^{1.30} However, whilst the Original NPPF expected SHMAs to be undertaken to assess needs across Housing Market Areas (HMAs), the focus of the Revised NPPF is on the needs of individual Local Planning Authorities without any mention of HMAs. Nevertheless, in terms of plan-making, PPG has retained the concept of the HMA [ID 61-017-20190315 and 61-018-20190315] within the Duty to Co-operate context, where joint working continues to be required.

Duty to Co-operate

- ^{1.31} The Duty to Co-operate was introduced in the 2011 Localism Act and is a legal obligation.
- ^{1.32} The NPPF sets out an expectation that public bodies will co-operate with others on issues with any cross-boundary impact, in particular in relation to strategic priorities such as *“the homes and jobs needed in the area”*.

Maintaining effective cooperation

24. Local planning authorities and county councils (in two-tier areas) are under a duty to cooperate with each other, and with other prescribed bodies, on strategic matters that cross administrative boundaries.

25. Strategic policy-making authorities should collaborate to identify the relevant strategic matters which they need to address in their plans. They should also engage with their local communities and relevant bodies including Local Enterprise Partnerships, Local Nature Partnerships, the Marine Management Organisation, county councils, infrastructure providers, elected Mayors and combined authorities (in cases where Mayors or combined authorities do not have plan-making powers).

26. Effective and on-going joint working between strategic policy-making authorities and relevant bodies is integral to the production of a positively prepared and justified strategy. In particular, joint working should help to determine where additional infrastructure is necessary, and whether development needs that cannot be met wholly within a particular plan area could be met elsewhere.

27. In order to demonstrate effective and on-going joint working, strategic policymaking authorities should prepare and maintain one or more statements of common ground, documenting the cross-boundary matters being addressed and progress in cooperating to address these. These should be produced using the approach set out in national planning guidance, and be made publicly available throughout the plan-making process to provide transparency.

National Planning Policy Framework (NPPF 2018), paragraphs 24-27

- ^{1.33} The manner in which councils have complied with their legal requirements under the Duty to Co-operate will be considered when plans are submitted for examination. One key issue is how any unmet development and infrastructure requirements can be provided by co-operating with adjoining authorities (subject to tests of reasonableness and sustainability).
- ^{1.34} The PPG elaborates further on the requirement for a statement of common ground (in the section on Plan-Making, updated 23 July 2019):

Maintaining effective cooperation

How are plan-making bodies expected to cooperate?

Strategic policy-making authorities are required to cooperate with each other, and other bodies, when preparing, or supporting the preparation of policies which address strategic matters. This includes those policies contained in local plans (including minerals and waste plans), spatial development strategies, and marine plans.

The National Planning Policy Framework sets out that these authorities should produce, maintain, and update one or more statement(s) of common ground, throughout the plan-making process. Local planning authorities are also bound by the statutory duty to cooperate. Neighbourhood Planning bodies are not bound by the duty to cooperate, nor are they required to produce or be involved in a statement of common ground.

Reference ID: 61-009-20190315

Planning Reforms Consultation 2020

- ^{1.35} In August 2020, the government open the consultation process for a series of wide-ranging reforms to the planning system in England. In line with their commitment made in April 2019, the government are consulting on a new standard method which would significantly change the level of housing need for most local authorities across England. This includes Leicester where the new methodology would generate a new of 1,119 dwellings per annum, compared to the current figure of 1,734 dwellings per annum. The changes proposed would also remove the Duty to Cooperate. However, the changes are currently only a consultation which does not close until October 2020, so we have not utilised the proposed figures in this study.

2. Local Housing Market

Housing options and cost of housing in Leicester

Housing Tenure Trends

2.1 The national trends are evident in the local data for Leicester. Figure 8 to Figure 10 show that the overall balance between owners and renters is the same in 2011 as it was in 1981, with 50% owning in both years, though the proportion of owners is less in 2011 than in 1991 and 2001. However, the balance between social rent and private rent has changed significantly: of the 50% of households that rented either social rent or private rent in 1981, only 21% of tenants rented privately (21% of 50%) whereas in 2011, 49% rented privately (49% of 50%).

Figure 8: Number of Households by Tenure 1981-2011
(Source: UK Census of Population)

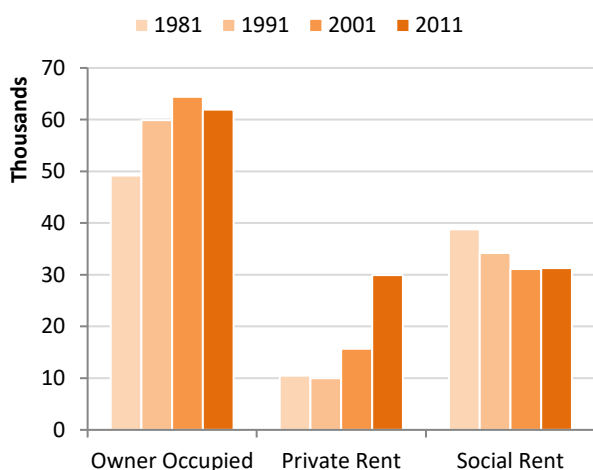


Figure 9: Percentage of Households by Tenure 1981-2011
(Source: UK Census of Population)

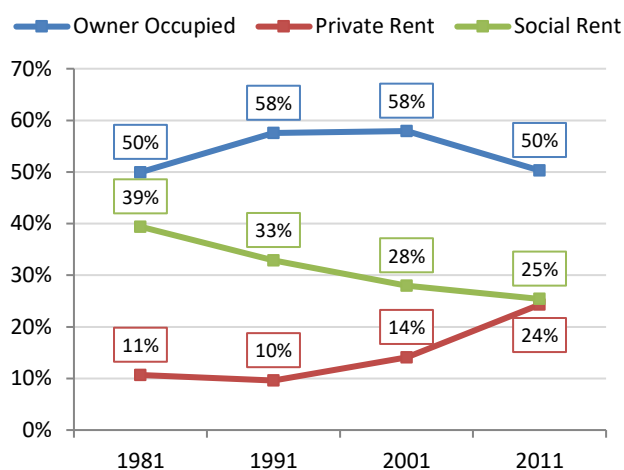


Figure 10: Households by Tenure for Leicester 1981-2011 (Source: UK Census of Population)

Tenure	Total Households				Net Change		
	1981	1991	2001	2011	1981-1991	1991-2001	2001-2011
Owner occupied	49,166	59,897	64,387	61,944	+10,731	+4,490	-2,443
Private rent	10,485	9,995	15,663	29,911	-490	+5,668	+14,248
Social rent	38,782	34,233	31,098	31,270	-4,549	-3,135	+172
TOTAL	98,433	104,125	111,148	123,125	+5,692	+7,023	+11,977
Owner occupied	49.9%	57.5%	57.9%	50.3%	+7.6%	+0.4%	-7.6%
Private rent	10.7%	9.6%	14.1%	24.3%	-1.1%	+4.5%	+10.2%
Social rent	39.4%	32.9%	28.0%	25.4%	-6.5%	-4.9%	-2.6%

2.2 This is consistent with national trends, with the English Housing Survey (EHS) 2017-18 identifying 19% (4.5 million) households renting from a private landlord, higher than the 14% recorded 10 years ago in 2007-08. Outside of London, private rented is the third largest tenure and is now larger than social rented; 36% outright ownership, 30% buying with a mortgage, 18% private renting, and 16% social renting.

2.3 Given this context, PPG recognises the importance of understanding the likely future role of the private rented sector.

Tenure data from the Office for National Statistics can be used to understand the future need for private rented sector housing. However, this will be based on past trends. The level of changes in rents, (known as “market signals”), may reflect the demand in the area for private rented sector housing. Evidence can also be sourced from the English Housing Survey, Office for National Statistics Private Rental Index, the Valuation Office Agency, HomeLet Rental Index and other commercial sources.

Planning Practice Guidance, ID 67-002-20190722

- 2.4 Growth in the sector seems likely to continue, driven by a combination of demand and supply factors:
- » Increasing demand from more households;
 - » Recent reductions in incomes (in real terms);
 - » Affordability of owner occupation reducing;
 - » Changing Bank lending practices;
 - » Pensions reform: pension drawdowns invested in BTL property.
- 2.5 The growth of the Sector has been acknowledged as both a growing and long-term option for meeting the nation’s housing need. CLG (with the Intermediary Mortgage Lenders Association forecast) that the private rented sector will increase in size to 35% nationally by 2032.¹ On this basis, the number of households renting privately could double again over the next twenty years.
- 2.6 As the PRS expands and other sectors contract, it is clear that many households who would traditionally meet their housing needs in other sectors are now renting privately. This includes many households currently unable to afford their housing costs, which can be seen from the expansion of families receiving Housing Benefit in the sector, in particular since the start of the most recent recession.
- 2.7 The Office for Budget Responsibility analysis of the UK’s public finances for Government explicitly recognises a likely growth in the share of housing benefit claimants in the private rented sector in its Economic and Fiscal Outlook (March 2014)²:
- “The share of [housing benefit] spending accounted for by the private rented sector is forecast to rise from 30 per cent in 2007-08 to 40 per cent by 2018-19... We expect the share of claimants in the private rented sector to continue rising over the forecast period, but for average awards to rise more slowly than nominal GDP per capita due to policy, including on uprating.” (paragraphs 4.152-154)*
- 2.8 The Government sees the PRS having an important and long-term role in meeting the housing need of the nation; and although the NPPF and PPG do not mention the current or future role of housing benefit, the policy to support low-income households in the private rented sector with housing benefit is long-standing and housing benefit is explicitly factored into the long-term forecasts for public spending.
- 2.9 Policy by both Government and Local Authorities is focused on improving Management and Maintenance in the sector (via licensing or self-regulation schemes) and expanding supply³ (including the Build to Rent

¹ <http://news.rla.org.uk/rpi-rent-revolution/>

² <http://cdn.budgetresponsibility.org.uk/37839-OBR-Cm-8820-accessible-web-v2.pdf>

³ <https://www.gov.uk/government/publications/private-rented-homes-review-of-the-barriers-to-institutional-investment>

investment scheme⁴). The Government published “*Improving the Private Rented Sector and Tackling Bad Practice: A guide for local authorities*” in March 2015, and the Foreword by the Minister stated:

“The private rented sector is an important and growing part of our housing market, housing 4.4 million households in England. The quality of housing in the sector has improved dramatically over the last decade. It is now the second largest tenure and this growth is forecast to continue growing. I am proud of this growth as it shows increasing choice, improving standards whilst helping to keep rents affordable. The Government supports a bigger and better private rented sector and wants to see this growth continue.”

- 2.10 It is important for local authorities to recognise the role of the private rented sector at a local level. Recent changes to letting policies and the reality of pressures on the housing stock make it less likely that single persons aged under 35 years will be allocated to a 1 bedroom social rented or affordable rented property. The private rented sector makes an important contribution towards providing affordable housing options.
- 2.11 It is essential for local authorities to understand the full extent of the need for affordable housing in their areas.
- 2.12 The Housing and Planning Act 2016 contains proposals to further the Government’s policy of encouraging home ownership through promoting Starter Homes. These Starter Homes are intended to provide affordable housing for first time buyers. There are many households residing in the private rented sector in Leicester who aspire to home ownership and if affordable Starter Homes could be provided for this group it would, potentially, reduce the size of the private rented sector.
- 2.13 However, Starter Homes regulations that would enable these to be built have not been published. As a result, no Starter Homes have been built, and the Government are now pursuing an alternative policy entitled First Homes⁵.
- 2.14 The consultation for First Homes ran from February to May 2020 and indicates that they will be newbuild properties built as part of wider housing developments which will be sold with a discount of at least 30%, but this could be higher. First Homes will be prioritised for first-time buyers, serving members and veterans of the Armed Forces, and key workers, such as nurses, police and teachers. The reduction of at least 30% will be in perpetuity, so the buyer will not own more than 70% of the property. When they wish to sell their property, the home will be independently valued and sold to someone from a waiting list held by the local authority with the discount being applied, so the property always remains below local house prices. There will be restrictions on the use of First Homes so that they cannot be used as buy to let or holiday homes.
- 2.15 There are many households residing in the private rented sector in Leicester who aspire to home ownership and if affordable First Homes be provided for this group it would, potentially, reduce the size of the private rented sector. However, the funding for First Homes is likely to be drawn from the same Section 106 funds which help to provide affordable rented homes. Developers would be expected to provide a proportion all properties on larger new developments and sell these at a discount of at least 30%, with the remaining share to be held by the local authority in perpetuity. The local authority would then arrange to allocate the sale of these properties through a waiting list of first-time buyers and key workers. First Homes will be funded through the same channels as other Affordable Housing and by taking part of the funding for affordable

⁴ <https://www.gov.uk/government/publications/build-to-rent-round-2-initial-due-diligence>

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/412921/Improving_private_rented_sector.pdf

⁶ <https://www.gov.uk/government/consultations/first-homes>

rented across in to the First Homes scheme, this could reduce the supply of social rented or affordable rented homes. If this happens, then young households, for whom First Homes remain out of reach, will have few other options than to enter the private rented sector.

Housing Stock by Size

- 2.16 Figure 11 shows the existing housing stock by tenure and number of bedrooms. In general, the owner-occupied stock is dominated by 3- and 4-bedroom properties (71%).
- 2.17 In general, 2 bedrooms are the most common private rented property size followed by 3 bedrooms then 1 bedroom. while in social rent there is a broadly three-way split between 1, 2- and 3-bedroom properties.

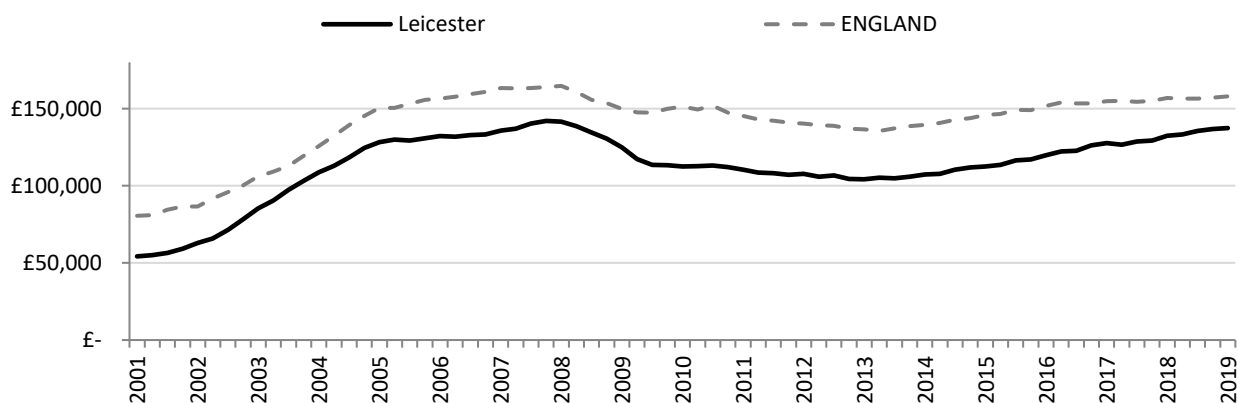
Figure 11: Dwelling stock by tenure and number of bedrooms (Source: UK Census of Population 2011)

Property Type	Owner Occupied	Private Rent	Social Rent	TOTAL
OWNER OCCUPIED				
1 bedroom	2.7%	24.7%	33.3%	15.8%
2 bedrooms	21.0%	33.9%	29.1%	26.2%
3 bedrooms	57.8%	30.2%	32.7%	44.7%
4 bedrooms	13.5%	7.0%	3.5%	9.4%
5+bedrooms	5.0%	4.3%	1.4%	3.9%

Cost of Home Ownership

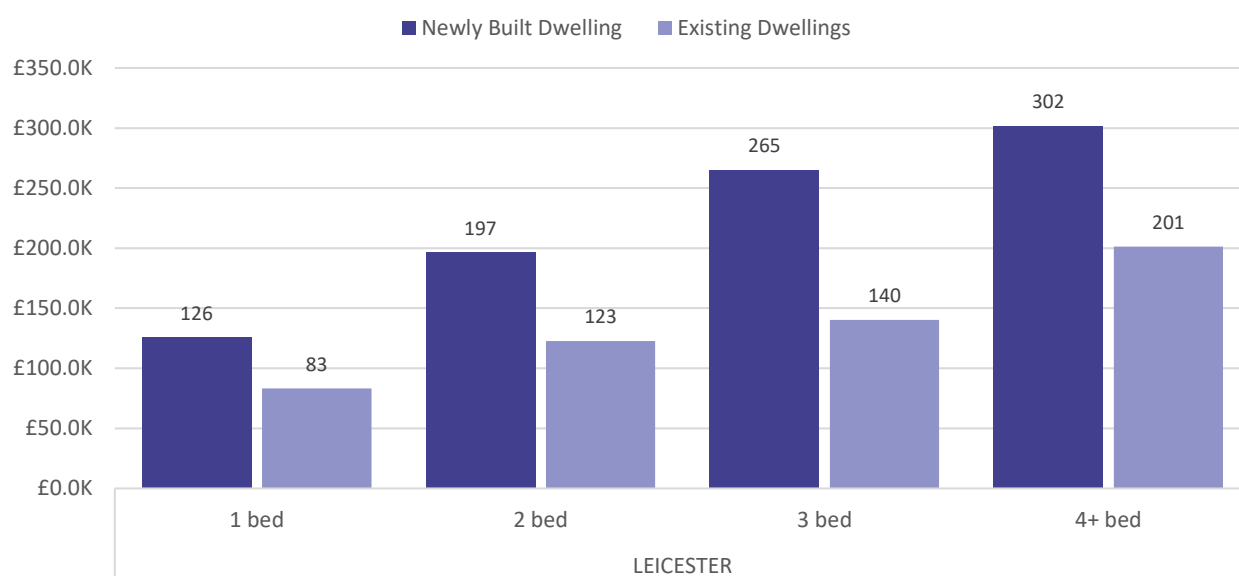
- 2.18 House price trends (2001-2019) are shown in Figure 12 based on lower quartile house prices. Of course, the value of money has also changed during this period, so the data is adjusted to take account of and remove the impact of inflation; therefore, the values reflect real changes in house prices since 2001.
- 2.19 It is evident that real house prices in Leicester increased substantially in the period 2001-2008 (from £54,300 to £141,600 at 2018 values, a real increase of 160%). Values reduced to around £120,000 by the start of 2009 and continued to decline over the period to 2013 reaching a low point of £104,000; but have since increased to a value of £137,600 by mid-2019.

Figure 12: Real House Price Trends: Lower Quartile Prices adjusted to 2019 values using CPI (Source: ONS; Bank of England)



- 2.20 Figure 13 shows the lower quartile house prices by bedroom size. The data shows both the lower quartile price for existing properties and also new build dwellings. When considering first time buyers in particular, many of the purchasers are likely to be newly forming households seeking one and two bed properties.
- 2.21 The degree to which new build properties are more expensive than existing homes varies considerably by size of dwelling. This is likely to be down to a range of factors which include the location of newbuild housing, the relative size of properties, gardens and the availability of parking, comparative quality and condition of existing stock, and other intangible issues such as character. In general, new build properties are more expensive than existing dwellings.

Figure 13: Lower quartile prices (adjusted to 2019 values using CPI) for existing dwellings and newly built dwellings (2016-19) by property size (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)



Income Needed for Home Ownership

- 2.22 The income needed to purchase market housing will depend on the house price together with the mortgage income multiplier and the available deposit (or percentage loan to value).
- 2.23 To give an illustrative example (not based on Leicester prices), taking an existing 1-bedroom property:
- » The lower quartile price recorded was £70,000;
 - » Based on a 90% loan-to-value mortgage, a deposit of £7,000 would be needed (equivalent to 10% of the overall price) with the mortgage covering the remaining £63,000;
 - » Using a mortgage income multiplier of 3.5x would therefore need an annual income of £18,000.
- 2.24 To purchase the same property with a 95% loan-to-value mortgage would reduce the deposit needed to £3,500 (equivalent to 5% of the overall price) but the income required would increase to £19,000 per year. Borrowing at a 4.0x income multiplier would reduce the income needed; but households would still need an income of between £15,750 and £16,625 based on a 5-10% deposit. Therefore, to purchase an existing 1-bedroom property at an overall cost of £70,000 is likely to require an annual income of at least £15,750 (assuming a 10% deposit and a 4.0x multiplier); but with less deposit and a lower income multiplier an income of up to £19,000 per year could be needed.

- 2.25 Whilst some households will have higher deposits available and others will seek to extend their borrowing as far as possible, taking the initial assumptions of a 10% deposit and a 3.5x mortgage multiplier provides a reasonable indication of the income that first-time buyer households are likely to need in order to afford home ownership.
- 2.26 Based on these assumptions, Figure 14 shows the household income levels needed to buy 1 and 2 bedrooms properties in terms of both existing dwellings and newly built dwellings in Leicester. When purchasing larger homes, households will typically have larger deposits available which often include equity from the sale of a smaller property. On this basis, it is relatively artificial to consider incomes in isolation.

Figure 14: Annual income required to afford properties based on a 10% deposit and 3.5 times income mortgage by property size (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)

Property Type	Annual Income Needed to Own at Lower Quartile Prices
NEWLY BUILT DWELLINGS	
1 bedroom	£32,300
2 bedrooms	£50,500
EXISTING DWELLINGS	
1 bedroom	£21,400
2 bedrooms	£31,600

Cost of Renting

- 2.27 Figure 15 sets out the weekly rents for different property sizes. This includes:
- » Median and lower quartile private rent;
 - » Affordable rent (also any affordable rent from Build to Rent schemes); and
 - » Social rent based on existing average rents.

Figure 15: Weekly rent thresholds 2019 (Source: Private Rental Market Statistics, Valuation Office Agency; Regulator of Social Housing. Note: Private rent data excludes housing benefit funded tenancies)

Weekly Rent £	Median Private Rent	Lower Quartile Private Rent	Affordable Rent	Social Rent
LEICESTER				
1 bedroom	£113.92	£103.56	£93.17	£70.20
2 bedrooms	£143.84	£126.58	£102.63	£83.34
3 bedrooms	£161.10	£149.59	£114.21	£91.28
4+ bedrooms	£241.64	£195.62	£138.05	£110.40

- 2.28 The Local Housing Allowance (LHA) is the maximum payment for claimants in receipt of housing benefit based on Broad Rental Market Areas (BRMAs). The LHA was previously based on the 30th percentile private rent, however more recent increases have based on CPI and rates were frozen in the July 2015 Budget.
- 2.29 Whilst BRMAs do not align with local authority boundaries, the Leicester BRMA covers the whole of Leicester City.

Figure 16: Maximum Local Housing Allowance thresholds March 2019 (Source: Valuation Office Agency)

Weekly Rent £	Broad Rental Market Area
	Leicester BRMA
LOCAL HOUSING ALLOWANCE	
Room only	£61.38
1 bedroom	£86.30
2 bedrooms	£109.32
3 bedrooms	£126.58
4+ bedrooms	£163.16

- 2.30 It is evident that for all property sizes, the median private rent is the highest followed in turn by the maximum LHA, or in some cases the lower quartile private rent, affordable rent and target social rent. We would note that the affordable component of Build to Rent has the same level of proposed discounts as Affordable Rent so we use them interchangeably for need, but when the local authority look at the delivery of affordable housing they can be considered as two separate products. Where LHA rates are higher than the equivalent lower quartile private rents, it is important to note that the private rent figures exclude housing benefit funded tenancies. Therefore, there would appear to be only limited opportunity for an increase in the number of households in receipt of housing benefit given that lower quartile rents are already above or close to the maximum housing benefit.
- 2.31 Affordable Rents and affordable component of Build to Rent (at 80% of median private rent) are currently below the maximum LHA rate for all property sizes in the area except of 1 bedroom properties, but this relationship could change in future. The Welfare Bill requires social landlords to reduce their rents by 1% every year for four years, whilst LHA rates generally increase in line with CPI (although they were updated by a fixed 1% in 2014/15 and 2015/16); so together these changes will typically increase the “gap” for existing Affordable Rent properties. However, the rent for new properties is based on market rents; so, if market rents increase faster than the maximum LHA, it is possible that new Affordable Rent properties could have rents that are higher than the LHA.
- 2.32 The Local Housing Allowance Guidance Manual (April 2014)⁷ confirms that “*the LHA arrangements apply to HB customers in the deregulated private sector only*”; where HB refers to Housing Benefit, so the LHA rate does not apply to Affordable Rent, and households are currently able to claim housing benefit to cover the full cost of Affordable Rent (where they were entitled to do so based on their circumstances). However, whilst housing associations could set rents above the maximum LHA, many operate a rent policy where rent levels must be within the LHA for the area concerned – partly due to perceived risks of future welfare reforms (which could change the rules) but also to keep properties as affordable as possible.
- 2.33 This is particularly relevant as all households claiming out-of-work benefits are subject to a cap of £384 per week (for lone parents and couples living outside of London) or £257 per week (for single people living outside of London), which could affect the amount of housing benefit received by some households (especially those with larger families needing larger properties). However, it is important to recognise that the benefit cap does not apply to working households (i.e. those eligible for Working Tax Credit, even if the eligibility amount is £0; and those on Universal Credit with monthly earnings varying from £291 to £542 or more, depending on age) or to households that receive various disability related benefits or armed forces

⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/324708/lha-guidance-manual.pdf (para 1.070)

pensions. Given that these households are exempt from the cap, they would be able to claim housing benefit up to the Local Housing Allowance for the size of property that they need in their BRMA.

Income Needed to Rent Housing

2.34 The income needed to rent housing will depend on the monthly rent together with the income multiplier allowed for housing costs. The previous CLG Strategic Housing Market Assessments Practice Guidance (Version 2, August 2007)⁸ stated:

*“A household can be considered able to afford market house renting in cases where the rent payable was up to 25 per cent of their **gross** household income”* (page 42)

2.35 However, this previous Guidance was rescinded in March 2014 following the publication of the original NPPF and the launch of the new Planning Practice Guidance (PPG). The PPG does not propose a specific multiplier for assessing housing costs; however, it notes that *“care should be taken ... to include **only those households who cannot afford** to access suitable housing in the market”* [ID 2a-020-20190220] (emphasis added).

2.36 Results from the English Housing Survey (EHS) 2015-16⁹ provides information about the percentage of gross household income that households currently spend on their housing costs¹⁰:

- » For the total gross income (excluding housing benefit) of the Household Reference Person and partner, households renting privately spent on average 48% of their income on rent, whilst the average was 40% for households in social rent; and
- » For the total gross income (excluding housing benefit) from all income earners in the household, irrespective of whether they contribute to the housing cost, households renting privately spent on average 41% of their income on rent, whilst the average was 37% for those in social rent.

2.37 The EHS demonstrates that many households in both private and social rented properties currently pay considerably more than 25% of gross household income on their housing costs. Whilst it is arguable that some households currently pay too much for their rent, it is unrealistic to suggest that all households paying more than 25% are unable to afford suitable housing in the market.

2.38 The proportion of household income allocated to housing costs is necessarily based on a judgement. At the lower end of the range, the previous CLG Practice Guidance sets out a percentage of 25%. However, as the EHS identifies that households renting privately currently spend 41% of their gross income on average, there must be many households currently spending more than 41% of their income on housing costs (which will be offset against others spending lower proportions).

2.39 On this basis, it would be reasonable to assume that the proportion of household income allocated to housing costs was at least 25% but no more than 45% of gross income. This leads to our judgement that **35% of income** provides a reasonable basis for assessing the maximum that households should reasonably expect to pay for their housing costs. Whilst this is notably higher than the 25% proposed by the previous guidance, it is still lower than the 41% average that households renting privately actually pay.

2.40 As an illustrative example, we can establish the income needed to rent a 1-bedroom property in the private rented sector based on a 35% income multiplier:

⁸ <https://www.gov.uk/government/publications/strategic-housing-market-assessments-practice-guidance>

⁹ <https://www.gov.uk/government/statistics/english-housing-survey-2015-to-2016-headline-report>

¹⁰ “Annex Table 1.13: Mortgage/rent as a proportion of household income (including and excluding housing benefit), by tenure, 2010-11 to 2015-16”

- » The lower quartile weekly rent recorded was £103.56;
- » Based on a 35% income multiplier, a weekly income of £295.89 would be needed which equates to a gross annual income of £15,440.

- 2.41 To rent the same property based on a 25% income multiplier would increase the gross income required to £21,600 per year whereas households with an annual income of £12,000 per year could afford the rent if 45% of their income was allocated to housing costs. Therefore, to rent a self-contained 1-bedroom property in Leicester at a cost of £103.56 per week is likely to require an annual income of at least £12,000 (assuming a 45% multiplier); although it is evident that the required income is very sensitive to the multiplier used.
- 2.42 Given this context, although some households will choose to pay a higher proportion of their income to rent their home (and others might be forced to do so due to the lack of any other housing options), taking the initial assumption of a 35% income multiplier provides a reasonable benchmark to establish the rental income needed. Based on this assumption, Figure 17 shows the gross household incomes needed to afford median and lower quartile private rent, affordable rent and social rent.

Figure 17: Annual income required to afford to rent properties based on 35% income multiplier by property size (Source: ORS based on Valuation Office Agency data April 2018 to March 2019)

Annual Income £	Median Private Rent	Lower Quartile Private Rent	Affordable Rent	Social Rent
LEICESTER				
1 bedroom	£16,983	£15,439	£13,890	£10,466
2 bedrooms	£21,444	£18,871	£15,300	£12,424
3 bedrooms	£24,017	£22,301	£17,027	£13,608
4+ bedrooms	£36,024	£29,163	£20,581	£16,459

- 2.43 Although a rental income multiplier is helpful for benchmark purposes, it does not take account of the disposable income available to households after their housing costs have been paid.
- 2.44 Considering some examples of disposable income:
- » A single person household with a gross income of £20,000 from employment would have £16,880 (£324 per week) after income tax and national insurance contributions. Therefore, housing costs at 35% of gross income would represent 41.4% of their net income, which would leave £9,880 (£189 per week) as disposable income to cover their other living expenses. The maximum amount of weekly income that a single person household can receive before their income starts to affect their housing benefit is currently £73.10 for those aged 25 or over and £57.90 for those aged 16-24; so, on this basis, this household could afford to pay at least 35% of their income on housing costs and still have sufficient disposable income;
 - » A couple with two children with a gross income of £20,000 from employment would have up to £19,559 (£375 per week) after income tax and national insurance contributions (assuming both earned £10,000). Therefore, housing costs at 35% of gross income would represent 35.8% of their net income, which would leave £12,559 (£241 per week) as disposable income to cover their other living expenses. The maximum amount of weekly income that a couple with two children can receive before their income starts to affect their housing benefit is currently £248.65 (if one or both are aged 18 or over); so this household could not afford to pay 35% of their income on housing costs as it would not leave them with sufficient disposable income.

- 2.45 When assessing affordable housing need, it is not appropriate to adopt a simplistic income multiplier as this does not take account of different household circumstances. It is better to consider housing benefit eligibility criteria set by the Department for Work and Pensions, which take full account of the different amounts of disposable income for different types of household on different incomes, based on the rents for suitable housing in terms of the number of bedrooms needed.
- 2.46 Eligibility for housing benefit will differ based on the type of household and the number of bedrooms needed. Figure 18 sets out the incomes for housing benefit eligibility for different types of households.

Figure 18: Maximum annual income for households in receipt of housing benefit support by household type (Source: ORS based on Department for Work and Pensions data)

Maximum Annual Income for HB support		Leicester
ROOM ONLY	Single person aged 16-24	£7,948
	Single person aged 25-34	£8,742
1 BEDROOM PROPERTIES	Single person aged 35+	£10,742
	Couple (both aged under 18)	£11,493
	Couple (one or both aged 18 or over)	£12,920
2 BEDROOM PROPERTIES	Lone parent (aged 18 or over) with 1 child	£16,081
	Lone parent (aged 18 or over) with 2 children	£19,571
	Couple (aged 18 or over) with 1 child	£18,259
	Couple (aged 18 or over) with 2 children	£21,750

Identifying the Gap for Affordable Home Ownership

- 2.47 When identifying the need for Affordable Home Ownership (AHO) including First Homes, it is necessary to consider the housing costs for both renting and buying market housing in order to understand the relative incomes required and establish the appropriate income range for AHO products and the associated purchase costs. Figure 19 summarises the income thresholds for the range of different housing options based on the costs for home ownership and rents across Leicester.

Figure 19: Annual income thresholds for different housing options in single bedroom and two bedroom (Source: ORS based on ONS House Price Statistics, Department for Work and Pensions, Valuation Office Agency and Land Registry Price Paid Data. Note: All figures rounded to nearest £100)

Annual Income Needed to Own or Rent at Lower Quartile Prices		Local Authority
		Leicester
SINGLE BEDROOM PROPERTIES		
Minimum income to own with 10% deposit and 3.5x mortgage	Newly built dwelling	£32,300
	Existing dwelling	£21,400
Minimum income needed for rent to be less than 35%	Median private rent	£17,000
	LQ private rent	£15,400
	Affordable rent	£13,900
	Social rent	£10,500
Maximum income for HB support	Upper end of range	£12,900
	Lower end of range	£10,700
TWO BEDROOM PROPERTIES		
Minimum income to own with 10% deposit and 3.5x mortgage	Newly built dwelling	£50,500
	Existing dwelling	£31,600
Minimum income needed for rent to be less than 35%	Median private rent	£21,400
	LQ private rent	£18,900
	Affordable rent	£15,300
	Social rent	£12,400
Maximum income for HB support	Upper end of range	£21,700
	Lower end of range	£16,100

- 2.48 There is a clear income gap between being able to afford market rent and being able to afford home ownership in Leicester, though this is particularly the case when considering 2-bed housing. On this basis, there is a wide income range that could benefit from Affordable Home Ownership products such as First Homes if these could be provided at an appropriate price.
- 2.49 The cost of AHO products would need to be less than the purchase cost for market housing; however, the income needed to buy an AHO product may still be higher than the income needed for market rent. This recognises that some households who could afford market rent would prefer to own their own home, and the NPPF encourages local authorities to widen opportunities for home ownership.

3. Demographic Projections

The starting point for establishing Local Housing Need

Official Projections

- 3.1 Planning Practice Guidance revised in February 2019 identifies that **Household Projections** provide the baseline for determining the minimum Local Housing Needs figure.

Why are 2014-based household projections used as the baseline for the standard method?

The 2014-based household projections are used within the standard method to provide stability for planning authorities and communities, ensure that historic under-delivery and declining affordability are reflected, and to be consistent with the Government's objective of significantly boosting the supply of homes.

Planning Practice Guidance, ID 2a-005-20190220

- 3.2 Given this context, Figure 20 sets out the 2014-based household projections over the period 2020-30, which is the period covered by the Standard Method and therefore allows for sensitivity testing. However, household projections can vary considerably at a local level which introduces a risk to the LHN figure. Therefore, Figure 20 also sets out the previous household projections that CLG produced for each area together with the 2016-based and 2018 based ONS household projections, including the associated outputs from the sensitivity analysis undertaken.

Figure 20: Household projections 2020-30 (Source: CLG, ONS; Note: All figures presented unrounded for transparency)

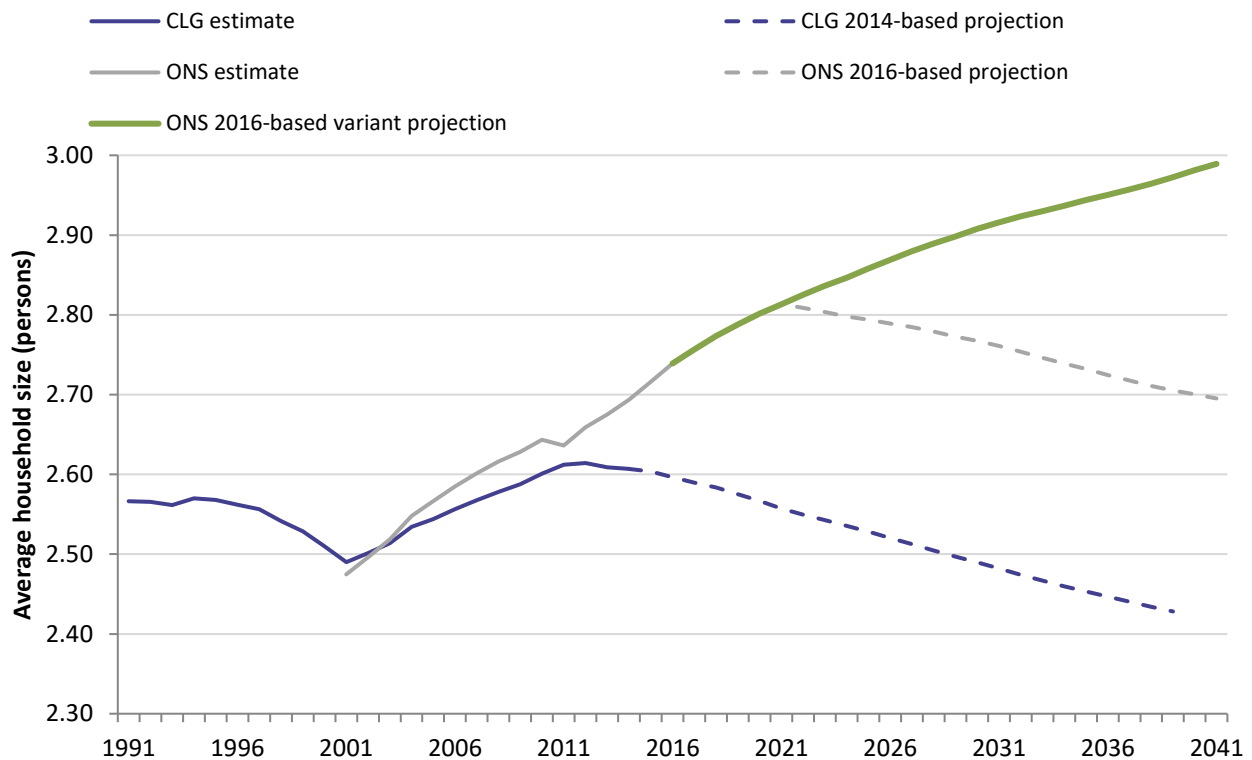
	Migration trends	10-year Change in Households 2020-2030
CLG Household Projections		
2014-based projection: 2014-based population and CLG 2014-based HH formation	2009-14	+14,734
ONS 2016-based Projections		
Principal projection: 2016-based population and ONS 2016-based HH formation	2011-16	+9,579
Sensitivity analysis 1: 2014-based population and ONS 2016-based HH formation	2009-14	+11,171
Sensitivity analysis 2: 2016-based population and CLG 2014-based HH formation	2011-16	+12,977
ONS 2018-based Projections		
Principal projection: 2018-based population and ONS 2018-based HH formation	2016-18	+6,860

- 3.3 For Leicester, the CLG 2014-based household projections identify a growth of 14,734 households over the 10-year period 2020-2030; notably higher than the ONS 2016-based projections which identified the growth of 9,579 households and the 2018 based projections which identify the growth as 6,860 households. The 2016-based and 2018 based figures show considerably lower growth due to both lower population projections and also lower rates of household formations. The sensitivity testing involves comparing the results of applying different household formation rates to the 2014 and 2016-based population projections. Sensitivity Analysis 2 compares the results caused solely by differences in the 2014 and 2016-based population projections by holding the household formation rates constant; at 2014-based household formation rates for both population projections. It shows that using the same 2014-based household formation rates, the 2016-based population projections give a 10-year increase of 12,977 households compared to the larger increase of 14,734 given by the 2014-based population projections. However, Sensitivity Analysis 1 shows a bigger difference. In this case, the population projections are held constant at 2014-based projections and the effect of applying the 2016-based household formation rates to the 2014 based population projections is compared to applying the 2014-based household formation rates. In this case, using the 2014-based household formation rates with the 2014-based population projections shows a household growth of 14,734 compared to 11,171 using the 2016-based household formation rates. This demonstrates that the changes introduced by the ONS in the 2016 based and 2018 based projections have a huge impact on Leicester's projections.

Projected Household Size

- 3.4 When considering household projections, it is often helpful to review changes to the average household size. Household size is a product of the population and household projections and not a variable used to create them. The data set out in Figure 21 divides the household population in Leicester by the associated household projection.
- 3.5 As can be seen, average household sizes declined in Leicester between 1991 and 2001 but rose from 2001 to until 2011. The pattern is consistent with a potential under-enumeration of the 2001 Census which may have under-estimated the households in the city.
- 3.6 The 2014 based projections show that household sizes are projected to fall again in Leicester, with the figure falling well below that of 1991 by 2040. However, the 2016 based projections show that household sizes are projected to continue to rise until 2021, before starting to fall. This is a by-product of the calculation of household formation rates in the ONS 2016 based model which are based upon much shorter trends, so if household sizes have been rising then they will be projected to rise in the future, in this case until 2021.
- 3.7 On this basis it does appear to be sensible not to adopt the 2016 based ONS projections uncritically for Leicester because they project forward evidence of suppressed household formation in the city. However, it should also be noted that the 2014 based CLG projections shows sharp drops in household sizes which are inconsistent with recent trends in Leicester. Therefore, care should also be taken with this data, because it may be over-estimating the rate of household formation in Leicester due to the 2014 based projections containing data which goes as far back as the 1971 Census.

Figure 21: Average household size estimates and projections for Leicester for the period 1991-2041 (Source: CLG estimates 1991-2011; ONS 2016)



Population and Household Projections for Affordable Housing Need

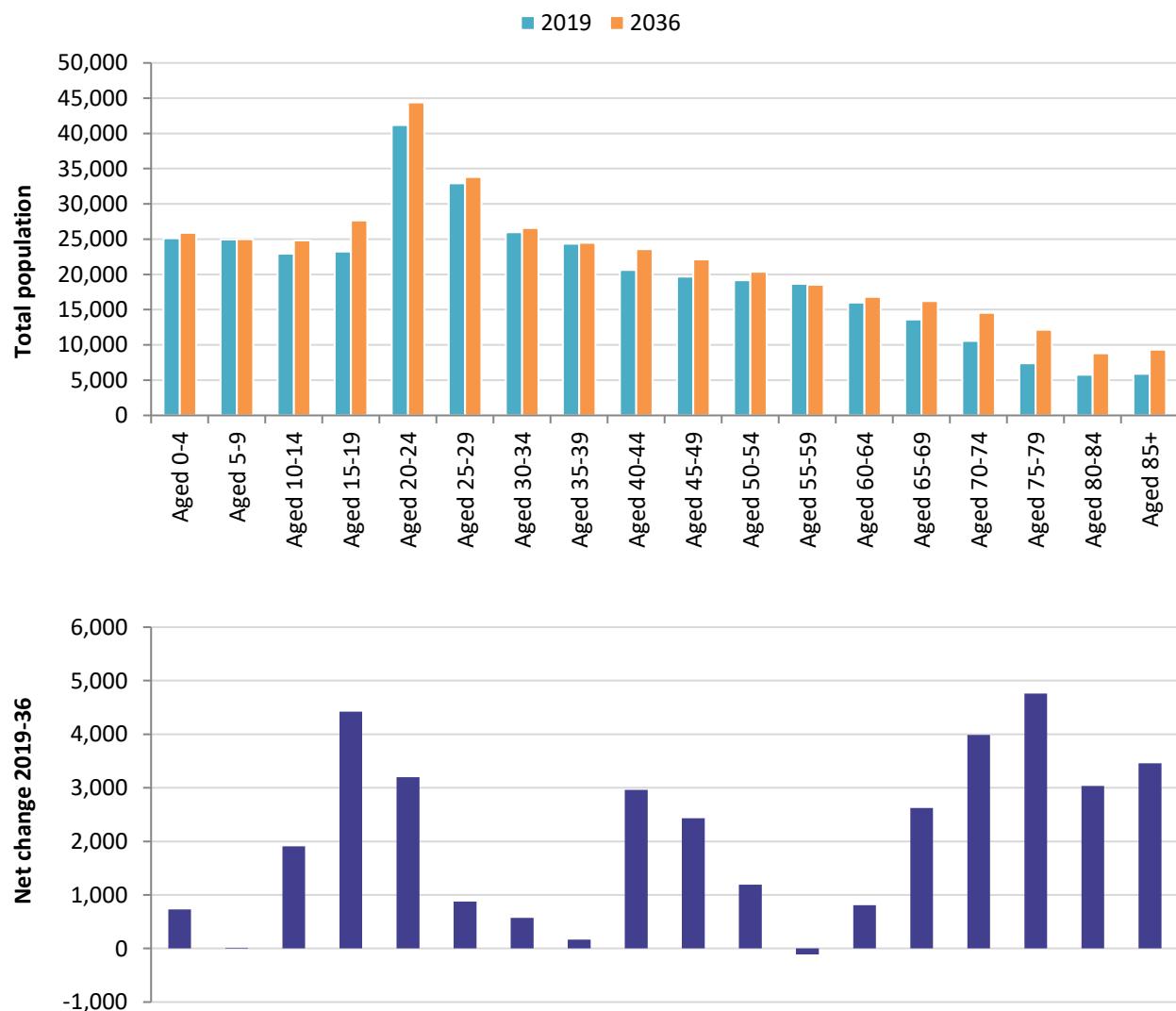
- ^{3.8} Although the LHN figures (discussed in more detail in Chapter 6) are informed by the trend-based household projections, the affordability adjustment means that the LHN figure is higher than the household projection-based estimate of housing need. This increase is designed to help respond to housing market pressures which may have suppressed past rates of household formation.
- ^{3.9} Given this context, delivering the number of homes that the minimum LHN identifies will yield a different population and household growth to that projected using past trends alone. In assessing the appropriate mix of housing, it is necessary to establish demographic projections to align with the number of homes identified by the standard method.
- ^{3.10} The demographic projections for this LHNA are based on the latest official projections and cover the 17-year period 2019-2036. They are informed by the latest ONS mid-year estimates,¹¹ and take account of the most up-to-date fertility and mortality rates and the latest migration trends. This yields a household growth over the period 2019-2036 of 16,400 households which is then reconciled with the LHN dwelling figure in Chapter 6.

¹¹ The ONS reissued the official estimates for mid-2012 to mid-2016 in March 2018 following methodological improvements

Projected Population Age Profile

- 3.11 Figure 22 shows the projected change in Leicester population by 5-year age band for the 17-year period 2019-36.
- 3.12 Overall for Leicester, the growth in the older population is 49% of the overall population growth; 18,006 persons from a total growth of 36,845 persons are projected to be aged 65 or over, including an increase of 3,515 persons aged 85 or over. This is particularly important when establishing the types of housing required and the need for housing specifically for older people. There is also a growth of 9,919 persons aged 15-24 years, which is a projection forward from past student growth in the city. There is now a question of what effect the Covid 19 pandemic will have on UK universities. There may be a smaller growth or even some contraction, but at the time of writing it is difficult to predict how the Leicester universities will be affected in the short, and even more so in the long term when there could be a return to growth.
- 3.13 There are decreases in some other age groups under 65, for children aged 5-9 years and adults aged 30-39 years, but these have considerably less effect on the net population growth of 36,845 persons.

Figure 22: Population projections 2019-36 by 5-year age cohort for Leicester (Source: ONS 2016-based sub-national projections)



Household Projections by Age

- 3.14 Figure 23 summarises the total number of households in Leicester in 2019 and 2036 in terms of the age of household representatives, together with the change in the number of households in each category over the period 2019-36 using 5-year age bands.

Figure 23: Total projected households in Leicester for 2019 and 2036 and summary of 17-year change by age of household representative (Source: CLG 2014 based Household Projections. Note: Figures may not sum due to rounding)

	Age of Household Representative								TOTAL
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	
TOTAL HOUSEHOLDS									
2019	7,400	21,780	24,890	23,730	20,500	13,980	8,970	3,920	125,200
2036	7,680	21,900	26,760	26,080	20,920	17,600	14,340	6,240	141,500
TOTAL CHANGE 2019-2036	+300	+100	+1,900	+2,400	+400	+3,600	+5,400	+2,300	+16,400

- 3.15 Considering this growth in terms of the age of household representatives, it is evident that the increase in older people is also reflected in terms of household types. The increase in households aged 65+ represents 56% of the total household growth, but also with many younger households as well. Many of these older households will already be established and living in existing homes; they will simply get older during the 17-year period. It is therefore also important to consider household growth in relation to age cohorts.

- 3.16 Figure 24 shows the projected number of households in each cohort, showing their age in both 2019 and 2036.

Figure 24: Total projected households for 2019 and 2036 and summary of 17-year change by age cohort of household representative (Source: CLG 2014 based Household Projections. Note: Figures may not sum due to rounding)

Age in 2019	Age of Household Representative								TOTAL
	<8	8-17	18-27	28-37	38-47	48-57	58-67	68+	
Age in 2036	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	
TOTAL HOUSEHOLDS									
2019	-	2,220	11,720	22,710	24,540	22,760	18,550	22,670	125,200
2036	7,680	21,900	26,760	26,080	20,920	17,600	14,340	6,240	141,500
TOTAL CHANGE 2019-2036	+7,700	+19,700	+15,000	+3,400	-3,600	-5,200	-4,200	-16,400	+16,400

- 3.17 There are 22,710 households aged 28-37 in 2019. The same households would be aged 45-54 by 2036. The trend-based projection identified that total number of households aged 45-54 in 2036 would be 26,750; therefore, an extra 3,400 households: partly due to new household formations and partly due to net migration.

- 3.18 Based on the cohort analysis, it is apparent that around 32,800 extra households aged under 85 (in 2036) will be likely to form in Leicester over the 17-year period 2019-36 against a total growth of 16,400 households. The 32,800 extra households aged under 85 are offset against a reduction of 16,800 households aged 85 or over (in 2036). Most of this reduction is due to household dissolution following death (although some may be due to net migration):

» 22,670 households were aged 68+ in 2018, who would be aged 85+ in 2036 if they had survived;

- » The projected number of households aged 85+ in 2036 is 6,240, which represents a reduction of 16,400 households whose existing homes would be vacated.

3.19 Whilst nearly half the increase in overall households is amongst those aged 65+, most of the new households seeking housing will be in their twenties and thirties at the time that they form. However, the total number of new households is likely to be more than the overall household growth given that household dissolution will happen among older households. It is also important to recognise that many new households will buy or rent existing housing, and not all new housing will be occupied by new households.

Projected Household Types

3.20 When considering future need for different types of housing, it is important to recognise that households of different ages are likely to have different housing needs. Similarly, households of different types (singles, couples and families) within each age group will also have different housing needs.

3.21 Figure 25 shows the household numbers for Leicester for 2019 and 2036 based on the trend-based projections by household type and age; together with the net change for each group. This is based on the number in each age category rather than the number in each age cohort, as it is assumed that the housing needs are more likely to be influenced by the actual age rather than the year of birth.

3.22 The 2011 Census defines the household types. The definition of 'Other households' is simply any household that doesn't fit into one of the preceding categories:

Household composition classifies households according to the relationships between the household members. Households consisting of one family and no other usual residents are classified according to the type of family (married, same-sex civil partnership or cohabiting couple family, or lone parent family) and the number of dependent children. Other households are classified by the number of people, the number of dependent children, or whether the household consists only of students or only of people aged 65 and over.

(2011 Census Glossary of Terms, ONS 2014)

Figure 25: Total projected households for 2019 and 2036 and summary of 17-year change by household type and age of household representative (Source: ORS Housing Mix Model) (Note: Figures may not sum due to rounding)

Household Type	Age of Household Representative								TOTAL
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	
Total Households 2019									
Single person	1,110	6,340	4,980	4,930	5,760	5,710	4,820	2,600	36,300
Couple without children	870	4,300	2,440	6,100	10,610	6,400	2,700	870	34,300
Families with child(ren)	1,110	9,000	16,930	11,660	2,760	560	90	30	42,100
Other households	4,310	2,140	540	1,040	1,380	1,310	1,350	410	12,500
TOTAL	7,400	21,800	24,900	23,700	20,500	14,000	9,000	3,900	125,200
Total Households 2036									
Single person	90	6,320	4,850	4,390	4,780	6,930	5,920	3,650	36,900
Couple without children	760	4,460	2,110	5,110	11,200	7,590	5,250	1,760	38,200
Families with child(ren)	610	8,410	19,640	16,100	3,890	1,100	210	80	50,000
Other households	6,230	2,710	170	490	1,050	1,980	2,960	750	16,300
TOTAL	7,700	21,900	26,800	26,100	20,900	17,600	14,300	6,200	141,500
Total Change 2019-2036									

Single person	-1,020	-20	-130	-540	-980	1,220	1,090	1,050	700
Couple without children	-110	160	-340	-990	590	1,190	2,550	890	3,900
Families with child(ren)	-510	-590	2,710	4,440	1,130	550	120	50	7,900
Other households	1,920	580	-370	-560	-330	670	1,610	330	3,800
TOTAL CHANGE	+300	+100	+1,900	+2,400	+400	+3,600	+5,400	+2,300	+16,400

3.23 In summary:

- » Families with dependent children represent around a half of the overall household growth: an increase of 7,900 households over the 17-year period;
- » Single person households represent less than 5% of the overall household growth: an increase of 700 over the 17-year period, including a sharp drop in the number of younger single persons;
- » Couples without dependent children represent just over a quarter of the growth: an increase of 3,900 households formed of 5,220 aged 55+ offset against a reduction of 1,280 younger couples without children;
- » The increase in “Other” households represents nearly a quarter of the growth and is the net growth for households aged under 35 years. This group includes students, but also multi-generational living and sharing households.

3.24 Therefore, a little over 70% of the household growth is associated with households who require larger dwellings. The Other Household category is particularly important in Leicester because the projections show a growth of 1,920 additional households aged 15-24 years and 580 aged 25-34 years. These will be dominated by students in the younger age group and recent graduate in the older age group and meeting their needs will be an important consideration.

4. Jobs and Workers

Alignment of Future Jobs Growth with Resident Workers

Considering the basis for Adjusting the Local Housing Need

- 4.1 Whilst PPG sets out a standard approach for establishing local housing need [ID 2a-004-20190220], this is a minimum figure and the PPG also provides examples of a number of circumstances where it may be more appropriate to use a higher figure for plan-making [ID 2a-010-20190220].

When might it be appropriate to plan for a higher housing need figure than the standard method indicates?

The government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.

This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:

- » *growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
- » *strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*
- » *an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground;*

Planning Practice Guidance, ID 2a-010-20190220

- 4.2 The PPG is clear that only in exceptional circumstances should an alternative to the standard method that results in a lower figure should be used [ID 2a-015-20190220]; therefore, preparing plans based on a number that is higher than the current LHN will help to ensure that fluctuations in the LHN in future years are more likely to be accommodated without changes being needed, given that the housing requirement is only fixed for 2 years from the point at which plans are submitted.
- 4.3 When considering the factors that could justify an uplift to the LHN, one of the most important is ensuring that the number of new homes takes account of changes that are anticipated in the local economy as well as population trends. In general, we would recommend seeking to balance jobs and workers at a Housing Market Areas (HMA) level because of the relationship between housing markets and economic activity, and this was the approach adopted in the NPPF 2012. In this LHNA, the HMA is taken as the City of Leicester. On this basis, there would be no justification for increasing the minimum LHN based on the standard methodology for Leicester without clear evidence of a shortfall of workers in the Housing Market Area.

- 4.4 Leicester have commissioned a jobs forecast from Oxford Economics which shows a projected growth in jobs of 9,500 over the period 2019-36. The number of workers available to fill these jobs will be much higher if 29,100 dwellings are delivered.

5. Affordable Housing Need

Identifying households who cannot afford market housing

Introduction

- 5.1 The definition of affordable housing was changed by the Revised NPPF, with a specific emphasis now placed on affordable homeownership. Annex 2 of the Revised NPPF now defines affordable housing as being:

Affordable housing

Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers)

Revised NPPF, Annex 2

- 5.2 To reflect this change, relevant paragraphs of PPG were updated in February 2019. These were further updated with a new set of guidance on “Housing needs of different groups” published on 22nd July 2019¹², which covered:

- » Addressing the need for different types of housing;
- » Affordable housing;
- » Rural Housing.

- 5.3 The changes between the archived PPG and the current revision are highlighted below:

How can the current unmet gross need for affordable housing be calculated?

Strategic policy-making authorities will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market.

The unmet (gross) need for affordable housing by assessing (sic) past trends and current estimates of:

- » *the number of homeless households;*
- » *the number of those in priority need who are currently housed in temporary accommodation;*
- » *the number of households in over-crowded housing;*
- » *the number of concealed households;*
- » *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings); and*
- » *the number of households from other tenures in need and those that cannot afford their own homes, **either to rent, or to own, where that is their aspiration.***

Planning Practice Guidance, ID 67-006-20190722

Emphasis added shows change introduced in September 2018

¹² <https://www.gov.uk/guidance/housing-needs-of-different-groups#affordable-housing>

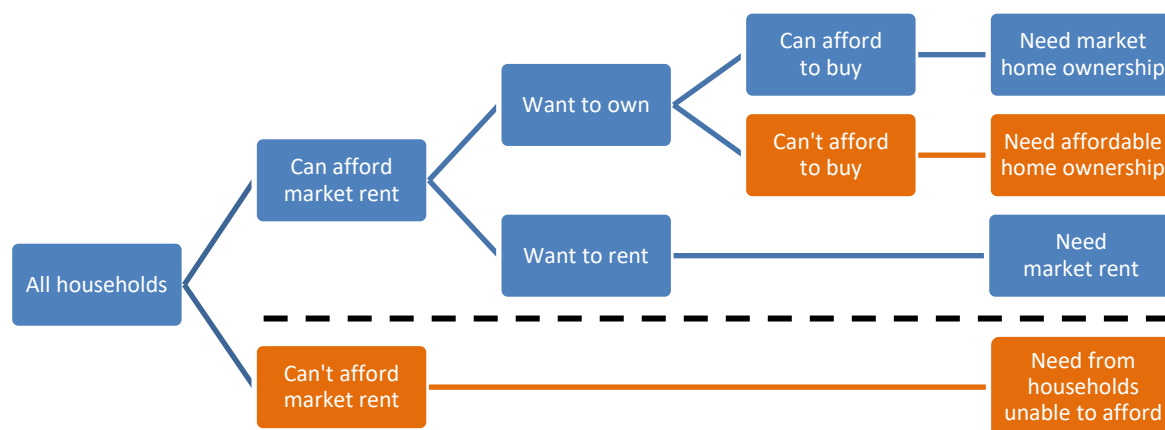
5.4 On this basis, it is clear that the assessment of affordable housing need must now consider those households who would like to own but are unable to do so, in addition to those households unable to afford to own or rent which have formed the longstanding basis for assessing affordable housing needs.

Establishing the Need for Affordable Housing to Rent and to Own

5.5 Demographic projections provide the basis for identifying the LHN for all types of housing, including both market housing and affordable housing. There is a well-established method for assessing the needs of households who cannot afford to own or rent suitable market housing; however, when considering the needs of households who can afford to rent but would prefer to own, it is necessary to further develop the existing methods given that PPG provides no additional guidance on how this need should be assessed.

5.6 Figure 26 illustrates the different groups of households that must now be considered when assessing the need for affordable housing. The needs of those households that can't afford market rent need to be added to the needs of those that can afford market rent but who want to own but can't afford to buy. The need from households unable to afford to rent include all households who cannot afford market rents and need social rent or other affordable rent.

Figure 26: Establishing the need for market and affordable housing

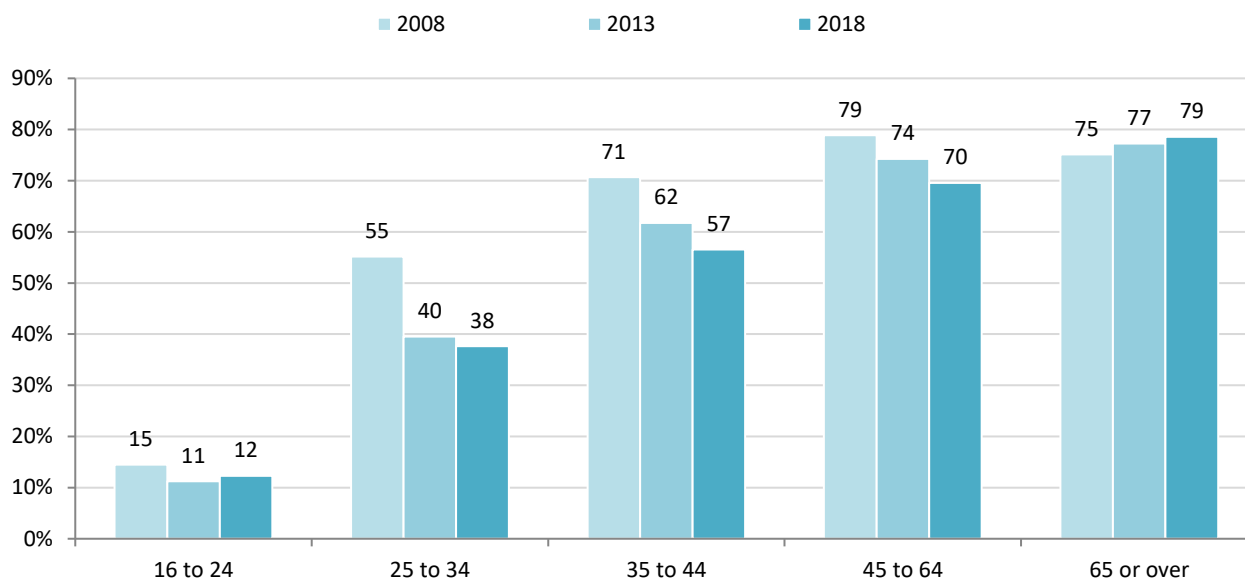


Home Ownership Trends

5.7 The emphasis on households that cannot afford to own their home reflects the Government's concerns about the proportion of owner occupiers having reduced nationally over the last ten to fifteen years. Estimates from the English Housing Survey suggest that the proportion of owner occupiers reduced from around 68.3% in 2008 to 63.5% in 2018. Over the same period 2008-2018, the proportion of households renting from a social landlord also reduced from 17.7% to 17.0% whilst the proportion renting privately increased from 13.9% to 19.5%.

- 5.8 The proportion of owner occupiers also varies notably by age. Younger age groups have typically been less likely to own their home than older households; however, the proportions of younger households owning their homes has reduced at a faster pace. In contrast, the proportion of older households (aged 65 or over) owning their home has been increasing (Figure 27).

Figure 27: Percentage of Owner Occupiers by Age Group 2008-2018 (Source: English Housing Survey)



Affordable Housing Need: Households Unable to Afford

- 5.9 PPG notes that affordable housing need is based on households “*who lack their own housing or who cannot afford to meet their housing needs in the market*” [ID 67-006-20190722]; though goes on to say that this should include the needs of those that can afford market rent but who want to own but can’t afford to buy. Given this context, the following section firstly considers the needs of those households who cannot afford to meet their housing needs, either through buying or renting. The additional needs of those who can afford to rent but who want to own will be considered in the next section.
- 5.10 PPG sets out the framework for this calculation, considering both the current unmet housing need and the projected future housing need in the context of the existing affordable housing stock:

How is the total annual need for affordable housing calculated?

The total need for affordable housing will need to be converted into annual flows by calculating the total net need (subtract total available stock from total gross need) and then converting total net need into an annual flow based on the plan period.

Planning Practice Guidance, ID 67-008-20190722

Current Unmet Need for Affordable Housing

- 5.11 In terms of establishing the **current** unmet need for affordable housing, the PPG draws attention again to those types of households considered to be in housing need; whilst also emphasising the need to avoid double-counting and including only those households unable to afford their own housing.

How can the current unmet gross need for affordable housing be calculated?

Strategic policy-making authorities will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market.

The unmet (gross) need for affordable housing by assessing (sic) past trends and current estimates of:

- » *the number of homeless households;*
- » *the number of those in priority need who are currently housed in temporary accommodation;*
- » *the number of households in over-crowded housing;*
- » *the number of concealed households;*
- » *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings); and*
- » *the number of households from other tenures in need and those that cannot afford their own homes, either to rent, or to own, where that is their aspiration.*

Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.

Planning Practice Guidance, ID 67-006-20190722

Establishing Current Unmet Need for Affordable Housing for Households Unable to Afford

- 5.12 Households assumed to be unable to afford housing include:
- » All households that are currently **homeless**;
 - » All those currently housed in **temporary accommodation**; and
 - » People in a **reasonable preference category** on the housing register, where their needs have not already been counted.
- 5.13 Given this context, our analysis counts the needs of all these households when establishing the need for affordable housing at a base date of 2019. This includes anyone who needs to move for medical reasons and also anyone who wishes to downsize to a smaller affordable home.

5.14 Figure 28 sets out the assessment of current affordable housing need for Leicester.

Figure 28: Assessing current unmet gross need for affordable housing - households (Sources: CLG P1E returns; Census 2001 and 2011; English Housing Survey; DWP Housing Benefit; CLG Local Authority Housing Statistics)

	Affordable Housing			Increase in Overall Need
	Gross Need	Supply	Net Need	
Homeless households in priority need [Source: CLG P1E returns]				
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	123		123	123
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	9		9	
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	0	0	0	
Households accepted as homeless but without temporary accommodation provided	0		0	0
Concealed households [Source: Census 2001 and 2011]				
Growth in concealed families with family representatives aged under 55	1,187		1,187	1,187
Overcrowding based on the bedroom standard [Source: Census 2011 and English Housing Survey]				
Households living in overcrowded private rented housing	1,749		1,749	
Households living in overcrowded social rented housing	2,942	2,942	0	
Reduction in spare rooms [Source: DWP Housing Benefit]				
Households likely to move from under-occupied social rented housing	1,198	1,198	0	
Other households living in unsuitable housing that cannot afford their own home [Source: CLG LAHS]				
People (within a household) who need to move on medical or welfare grounds, including grounds relating to a disability	419	42	377	
People (within a household) who need to move to a particular locality in the borough of the authority, where failure to meet that need would cause hardship	7	1	6	
TOTAL	7,634	4,183	3,451	1,310

5.15 The analysis counts the needs of all households living in overcrowded rented housing when establishing the need for affordable housing. This could marginally overstate the affordable housing need. It does not count the needs of owner occupiers living in overcrowded housing, and this can be offset against any over-counting arising from the rented housing. Student households are also excluded, given that their needs are assumed to be transient and do not count towards the need for affordable housing in Leicester.

5.16 The analysis does not count people occupying insanitary housing or otherwise living in unsatisfactory housing conditions as a need for additional affordable housing. These dwellings would be unsuitable for any household and enabling one household to move out would simply allow another to move in – so this would not reduce the overall number of households in housing need. This housing need should be resolved by improving the existing housing stock, and the Councils have a range of statutory enforcement powers to improve housing conditions.

5.17 The Census 2011 defines a concealed family:

A concealed family is one living in a multi-family household in addition to the primary family, such as a young couple living with parents.

- 5.18 When considering **concealed families**, it is important to recognise that many do not want separate housing. Concealed families with older family representatives will often be living with another family, perhaps for cultural reasons or in order to receive help or support due to poor health. However, those with younger family representatives are more likely to experience affordability difficulties or other constraints (although not all will want to live independently).
- 5.19 Concealed families in a reasonable preference category on the housing register will be counted regardless of age, but our analysis also considers the additional growth of concealed families with family representatives aged under 55 (even those not registered on the housing register) and assumes that all such households are unlikely to be able to afford housing (otherwise they would have found a more suitable home). The needs of these households are counted when establishing the need for affordable housing.
- 5.20 If the 2,942 households living in overcrowded social rented housing were to move, they would require other social rented housing and therefore they form part of the gross need for social rented housing. At the same time, each of these households who moved would vacate a social rented property which would be available for another household and so they also form part of the supply of social rented housing. Because of this one to one correlation, these households do not contribute to the net need. The same approach is taken with households likely to move from under-occupied social rented housing; they contribute an equal number to the gross need and the supply and therefore net zero need. The third element of supply is from other households living in unsuitable housing that cannot afford their own home. A proportion of the gross need from these households will come from housing association stock where the same condition applies; each household would vacate an affordable dwelling which would be available for another household. The proportion of housing association stock is based off census 2011 data.
- 5.21 Based on a detailed analysis of the past trends and current estimates of households considered to be in housing need, our analysis has concluded that **7,643 households are currently living in unsuitable housing in Leicester and unable to afford their own housing**. This assessment is based on the criteria set out in the PPG and avoids double counting (as far as possible).
- 5.22 Of these households, 4,183 currently occupy affordable housing that does not meet the households' current needs, mainly due to the number of bedrooms. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 3,451 households** (7,634 less 4,183 = 3,451) **who currently need affordable housing and do not currently occupy affordable housing in Leicester** (although a higher number of new homes may be needed to resolve all the identified overcrowding).
- 5.23 This number includes 1,310 households that would not be counted by the household projections because of their being homeless or concealed households and these are counted separately in the 'Increase in Overall Need' column of Figure 25. This column relates only to households who would not be counted in the household projections. There is, therefore, a need to increase the housing need based on demographic projections to accommodate these additional households.
- 5.24 Providing the 3,451 net additional affordable housing needed will release back into the market (mainly in the private rented sector) the dwellings occupied by a total of **2,141 households** (3,451 less 1,310 concealed households) that are currently need affordable housing who are unable to afford.

Projected Future Affordable Housing Need

- 5.25 In terms of establishing **future** projections of affordable housing need, the PPG draws attention to new household formation (in particular the proportion of newly forming households unable to buy or rent in the market area) as well as the number of existing households falling into need.

How can the number of newly arising households likely to be in affordable housing need be calculated (gross annual estimate)?

Projections of affordable housing need will have to reflect new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimate of the number of existing households falling into need. This process will need to identify the minimum household income required to access lower quartile (entry level) market housing (strategic policy-making authorities can use current costs in this process, but may wish to factor in anticipated changes in house prices and wages). It can then assess what proportion of newly-forming households will be unable to access market housing.

Planning Practice Guidance, ID 2a-021-20190220

- 5.26 The ORS Housing Mix Model considers the need for market and affordable housing on a longer-term basis that is consistent with household projections and LHN. The Model uses a range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population.¹³ The Model provides robust and credible evidence about the required mix of housing over the full planning period, and recognises how key housing market trends and drivers will impact on the appropriate housing mix.
- 5.27 Whilst PPG identifies that “Projections of affordable housing need will have to reflect new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimate of the number of existing households falling into need.” [ID: 2a-021-20190220], **the Model recognises that the proportion of households unable to buy or rent in the market area will not be the same for all types of household, and that this will also differ by age.** Therefore, the appropriate proportion is determined separately for each household type and age group.
- 5.28 The affordability percentages in Figure 29 are calculated using detailed information from the 2011 Census alongside data published by DWP about housing benefit claimants. For each type of household in age group, the table identifies the percentage of households unable to afford their housing costs. This is the proportion of households in each group that either occupy affordable housing or receive housing benefit to enable them to afford market housing.

Figure 29: Assessing affordability by household type and age (Source: Census 2011 and DWP)

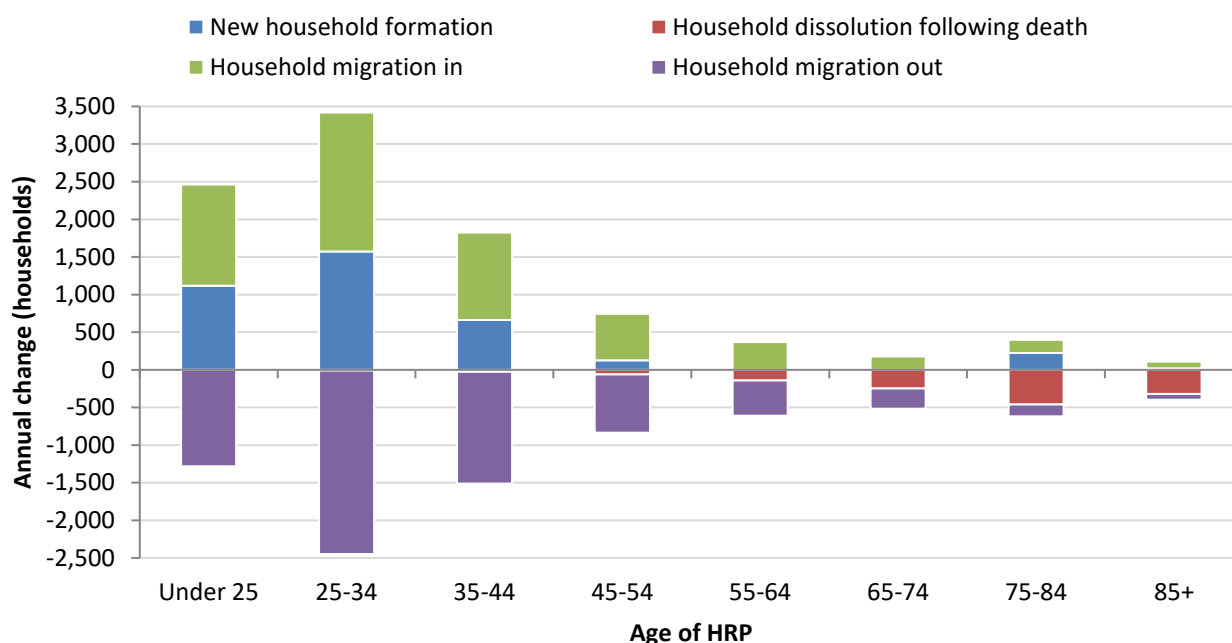
Percentage unable to afford market housing	Under 25	25-34	35-44	45-54	55-64	65+
LEICESTER						
Single person household	32%	28%	37%	44%	46%	41%
Couple family with no dependent children	10%	7%	15%	16%	15%	22%
Couple family with 1 or more dependent children	43%	34%	31%	27%	28%	36%
Lone parent family with 1 or more dependent children	73%	81%	65%	61%	64%	72%
Other household type	10%	18%	28%	28%	25%	22%

¹³ Detailed data from CLG 2014-based household projections and sources identified in Figure 15, Figure 28 and Figure 29

Establishing the Future Affordable Housing Need for Households Unable to Afford

- 5.29 When considering the number of newly arising households likely to be in affordable housing need, the PPG recommends a “*gross annual estimate*” [ID 2a-021-20190220] suggesting that “*the total need for affordable housing should be converted into annual flows*” [ID 2a-024-20190220].
- 5.30 Figure 30 shows the age structure of each of the components of household change. Note that this analysis is based on changes within each age cohort, so comparisons are based on households born in the same year and relate to their age at the end of the period. Therefore, all new households are properly counted, rather than only counting the increase in the number of households in each age group.

Figure 30: Annual change in household numbers in each age cohort by age of HRP (Source: ORS Housing Model)



- 5.31 Together with information on household type, this provides a framework for the Model to establish the proportion of households who are unable to afford their housing costs, identified in Figure 29.
- 5.32 The Model identifies an average of 3,976 new households projected to form in Leicester each year, and of these, 30% are unable to afford their housing costs which represents 1,189 households each year. The Model separately considers new households migrating to the area and identifies that the same proportion of these households are unable to afford (30%); although this represents 1,791 households moving in to the area. Some of these households will be moving to social rented housing, but many others will be renting housing in the private rented sector with housing benefit support. **Together, there are 2,980 new households each year who are unable to afford their housing costs.**
- 5.33 PPG also identifies that in addition to the needs of new households, it is also important to estimate “*the number of existing households falling into need*” [ID 2a-021-20190220]. Whilst established households that continue to live in Leicester will not contribute to household growth, changes in household circumstances (such as separating from a partner or the birth of a child) can lead to households who were previously able to afford housing falling into need. The needs of these households are counted by the Model, and it is estimated that an average of **893 established households fall into need each year** in Leicester.
- 5.34 Whilst the PPG recognises that established households’ circumstances can deteriorate such that they fall into need, it is also important to recognise that established households’ circumstances can improve. For example:

- » When two single person households join together to form a couple, pooling their resources may enable them to jointly afford their housing costs (even if neither could afford separately).
- » Households also tend to be more likely to afford housing as they get older, so young households forming in the early years of the projection may be able to afford later in the projection period.

5.35 These improved circumstances can therefore reduce the need for affordable housing over time. The Model identifies that the circumstances of 768 households improve each year such that they become able to afford their housing costs despite previously being unable to afford. Therefore, considering the changing needs of existing households overall, **there is a net increase of 125 existing households** (893 minus 768 = 125) **needing affordable housing each year.**

5.36 PPG identifies that “there will be a current supply of housing stock that can be used to accommodate households in affordable housing need” and that it is necessary to establish “the number of affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in affordable housing need” [ID 67-007-20190722]. It is also important to recognise that not all households that are unable to afford housing are allocated affordable housing immediately and some of these households will migrate away from the area, so their needs should be discounted to ensure consistency with the household projections.

5.37 The Model identifies 1,797 households are likely to dissolve following the death of all household members. Many of these households will own their homes outright; however, 577 are unable to afford market housing: most living in social rented housing. The Model separately identifies that an average of 7,149 households will leave the area each year, including 2,226 unable to afford their housing costs. Some will vacate rented affordable housing (which will become available for another household) whereas others that have not yet been allocated an affordable home will reduce the number of households waiting (although some might prefer to stay if housing costs were cheaper or more affordable housing was available). **Together, there are 2,803 households each year who will vacate affordable dwellings or will no longer be waiting for a home.**

5.38 Figure 31 summarises each of the components that contribute to future affordable housing need.

Figure 31: Components of average annual household growth 2019-36 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	3,976	2,787	1,189	30%
Households migrating in to the area	5,932	4,142	1,791	30%
All new households	9,908	6,928	2,980	30%
Household dissolutions following death	1,797	1,219	577	32%
Households migrating out of the area	7,149	4,924	2,226	31%
All households no longer present	8,946	6,143	2,803	31%
Household growth	+962	+785	+177	18%
Existing households falling into need	-	-893	+893	100%
Existing households climbing out of need	-	+768	-768	0%
Change in existing households	-	-125	+125	-
Average annual future need for market and affordable housing 2019-36	+962	+660	+301	31%

Overall Affordable Housing Need for Households Unable to Afford

- 5.39 Figure 32 brings together the information on assessing the unmet need for affordable housing in 2019 and the associated impact on market housing, together with the future need for market and affordable housing arising over the 17-year period 2019-36.

Figure 32: Assessing total need for market and affordable housing (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
Unmet need for affordable housing in 2019 (see Figure 28)			
Total unmet need for affordable housing (a)	-	7,634	7,634
Supply of housing vacated (b)	2,141	4,183	6,324
Current housing need (c) = (a) - (b)	-2,141	+3,451	+1,310
Projected future housing need 2019-36 (see Figure 31)			
Average annual housing need (d)	660	301	962
Future housing need (e) = (d) x 17	11,228	5,124	16,352
Total need for market and affordable housing (f) = (c) + (e)	+9,087	+8,575	+17,662
Average annual household growth (g) = (f) / 17	+535	+504	+1,039
Proportion of overall need for market and affordable housing	51.4%	48.6%	100%

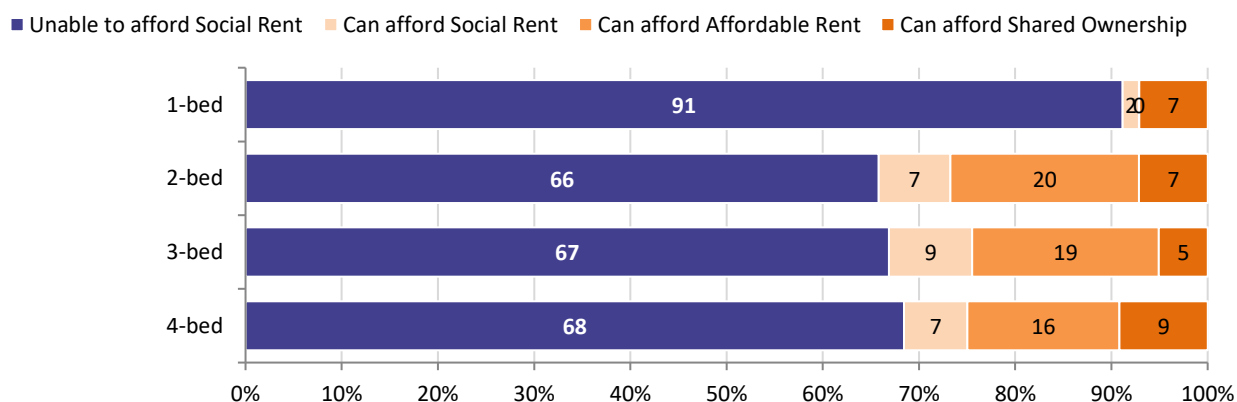
- 5.40 Overall, there is a need to provide affordable housing for 8,575 households unable to afford to rent or buy over the Plan period 2019-36 (49% of the projected growth) which equates to 504 households per year. Adding an allowance for vacancies (based on Census 2011 rates for dwellings without a usually resident household) to take account of transactional voids and also longer-term voids associated with major works across the stock, this **identifies a total affordable housing need of 8,630 dwellings in addition to the current stock, a net annual need of 508 dwellings per year**. Any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount and in recent years, Right to Buy and Right to Acquire sales in Leicester have been over 400 units per annum since 2016.
- 5.41 Figure 33 sets out the housing mix in terms of property type and size. Around 10% of the affordable housing need is for flats and the remainder for houses (27% 1-2-bed, 43% 3-bed and 21% 4-bed+). Whilst the need for affordable housing with four or more bedrooms is 21% of the overall need, this still represents a need for 1,783 large affordable homes that need to be provided over the 17-year period 2019-36. Much of this need will be from existing households living in overcrowded accommodation.

Figure 33: Assessing affordable housing mix (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

		Current Housing Need			Future Housing Need 2019-2036	Overall Housing Need	
		Gross Need	Supply	Net Need		N	%
Flat	1 bedroom	705	926	-222	189	-33	0%
	2+ bedrooms	742	401	341	507	849	10%
House	1-2 bedrooms	2,158	1,126	1,032	1291	2,323	27%
	3 bedrooms	2,392	1,551	841	2824	3,664	43%
	4+ bedrooms	1,638	180	1,458	313	1,772	21%
Total Households		7,634	4,183	3,451	5,124	8,575	100%

Affordable Housing Tenure

- 5.42 Within the overall need of 8,630 affordable homes identified, it is possible to consider the mix of different affordable housing products that would be appropriate based on the mix of households needing affordable housing. In order to profile affordability, income data from the English Housing Survey and ONS Survey of Personal Incomes has been combined and modelled to establish the income distribution by household type and age. This excludes any income from housing benefit, as the analysis seeks to determine to what extent housing benefit would be needed by households in each group.
- 5.43 Figure 34 illustrates the affordability of households needing affordable housing by property size based on the assumption that up to 35% of gross household income (excluding housing benefit) is available for housing costs. This identifies those able to afford shared ownership, affordable rent and social rent (all without housing benefit subsidy) and those that would need financial support to afford social rent.

Figure 34: Affordability of households needing affordable housing by property size 2018 (Note: Weekly costs based on data in Figure 15 and Figure 19)

- 5.44 Figure 35 sets out the affordable housing mix, which identifies that almost two thirds of households unable to afford and in need of affordable housing would not be able to afford the relevant Social Rent for a property of the size needed: 5,689 households (66%) based on up to 35% of income being spent on housing costs.
- 5.45 Providing new affordable rented housing based on Social Rents would enable around 659 households (8%) to pay their rent without housing benefit support that could not afford to do so if new housing was provided as Affordable Rent. If new affordable rented housing was provided with Affordable Rents, these households would continue to depend on housing benefit.

- 5.46 Around 1,658 households (19%) in need of affordable housing could afford Affordable Rent (without housing benefit support) and a further 569 households (7%) could afford the weekly costs of Shared Ownership (based on a 40% equity share).

Figure 35: Affordable housing mix by household affordability to 2019-2036 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

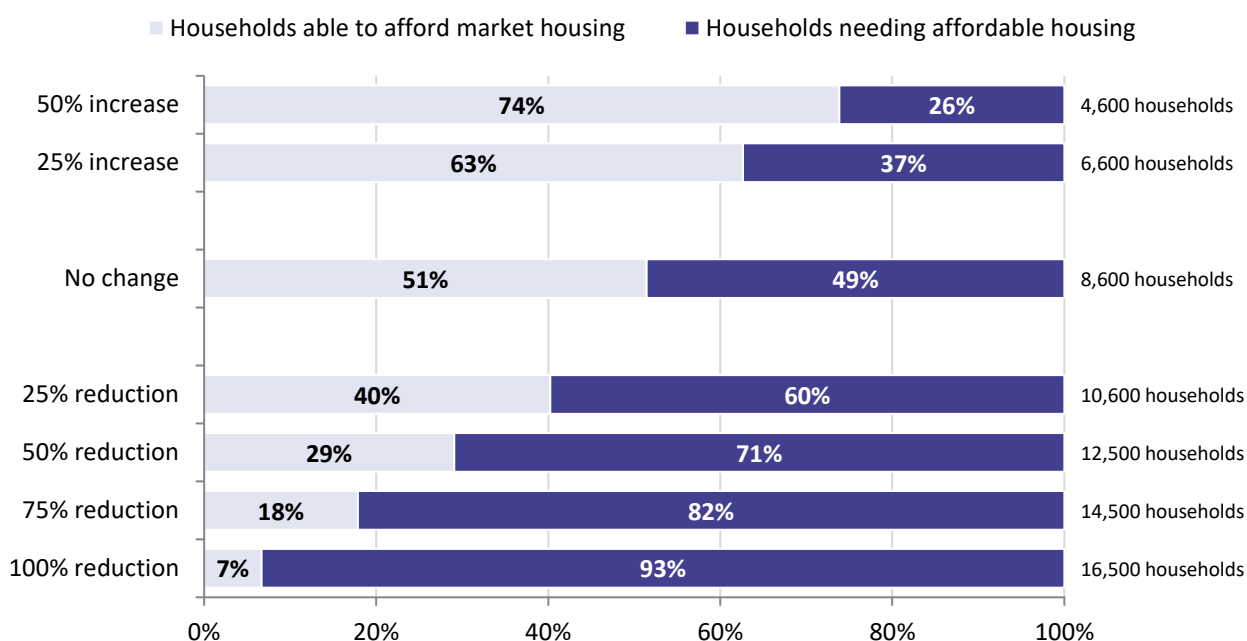
	Unable to afford Social Rent	Can afford Social Rent	Can afford Affordable Rent	Can afford Shared Ownership	TOTAL
1 bedroom	76	1	0	6	84
2 bedrooms	1,978	190	457	265	2,889
3 bedrooms	2,434	305	839	220	3,798
4+ bedrooms	1,201	163	362	78	1,804
TOTAL	5,689	659	1,658	569	8,575
<i>Overall percentage</i>	66%	8%	19%	7%	100%

Future Policy on Housing Benefit in the Private Rented Sector

- 5.47 The analysis recognises **the importance of housing benefit and the role of the private rented sector**. It is assumed that the number of households in receipt of housing benefit in the private rented sector will remain constant; however, this is a national policy decision which is not in the control of the Councils.
- 5.48 It is important to note that private rented housing (with or without housing benefit) does not meet the definitions of affordable housing. However, many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. These households aren't counted towards the need for affordable housing (as housing benefit enables them to afford their housing costs), but if housing benefit support was no longer provided (or if there wasn't sufficient private rented housing available at a price they could afford) then this would increase the need for affordable housing.
- 5.49 The analysis adopts a neutral position in relation to this housing benefit support, insofar as it assumes that the number of claimants in receipt of housing benefit in the private rented sector will remain constant. **The assessment does not count any dwellings in the private rented sector as affordable housing supply;** however, it does assume that housing benefit will continue to help some households to afford their housing costs, and as a consequence these households will not need affordable housing.

^{5.50} To sensitivity test this position, Figure 36 shows the impact of reducing (or increasing) the number of households receiving housing benefit to enable them to live in the private rented sector. If no households were to receive housing benefit support in the private rented sector, nine tenths of the growth in household numbers would need affordable housing. In this scenario, it is also important to recognise that the private rented housing currently occupied by households in receipt of housing benefit would be released back to the market, which is likely to have significant consequences on the housing market which are difficult to predict.

Figure 36: Theoretical impact of reducing or increasing Housing Benefit support for households living in private rented housing: Balance between households able to afford market housing and households needing affordable housing 2019-36 and associated number of affordable dwellings



Summary for Households Unable to Afford Market Housing

^{5.51} The housing mix analysis identified a need to provide additional affordable housing for 8,575 households over the 17-year period 2019-36. This yields a total affordable housing need of 8,630 dwellings, equivalent to 508 dwellings per year. This would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but any future losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount. In the last three years, right to buy sales have been over 400 dwellings per annum in Leicester.

^{5.52} However, it is important to recognise that this need is based on a relatively stringent assessment of affordability insofar as it is predominantly households that would be eligible for welfare support that are counted within the identified affordable housing need. There are likely to be other households who are spending a high proportion of their gross income on housing costs but who are not eligible for welfare support (in terms of their housing) and are therefore not counted. Given that the assessment focusses on only those **households with the most acute housing needs, the affordable housing need identified should be considered as a minimum.**

^{5.53} The analysis also identifies that a number of households unable to afford their housing costs are likely to move away from the area, and some might prefer to stay in the area if housing costs were less expensive or if more affordable housing was available.

- 5.54 Furthermore, the analysis also assumes that the level of housing benefit support provided to households living in the private rented sector remains constant. Private rented housing (with or without housing benefit) does not meet the definitions of affordable housing and is not counted as affordable housing supply; however, households in receipt of housing benefit are assumed be able to afford their housing costs, so they are not counted towards the need for affordable housing. Nevertheless, if housing benefit support was no longer provided (or if there wasn't sufficient private rented housing available at a price they could afford) then this would increase the need for affordable housing.
- 5.55 Many households who do not qualify for housing benefit will be required to stretch their incomes to be able to maintain their tenancies. It is also the case that Local Housing Allowance limits mean that even the maximum housing benefit award may be below the private rent levels. Ongoing welfare benefit changes such as benefit caps, Universal Credit and reclaimed over-payments may reduce the amount of housing benefit that an applicant can receive.
- 5.56 Providing sufficient affordable housing for all of households in receipt of housing benefit in the private rented sector would increase the need to around 16,600 affordable homes over the 17-year period (976 each year); but it is important to recognise that, in this scenario, the private rented housing currently occupied by households in receipt of housing benefit would be released back to the market and this is likely to have significant consequences which would be difficult to predict.
- 5.57 As policy decisions about housing benefit support provided to households living in the private rented sector are determined by the Government, it will be necessary for the local planning authorities to consider the possible impact of any changes when determining the most appropriate affordable housing targets for the area. This will also need to take account of the latest information from the local authority housing registers. Furthermore, given the unmet need from 3,451 households needing affordable housing at the start of the Plan period, it will be appropriate to maximise affordable housing delivery in the early years of the Plan, providing that this does not unduly compromise overall levels of housing delivery in the area.

Affordable Housing Need: Households Aspiring to Homeownership

- 5.58 Considering aspirations for home ownership, English Housing Survey data identifies that just over a quarter (28.8%) of those currently renting privately plan to stay in that tenure in the long-term compares to over three quarters (77.0%) of those households in social rent. Over half (53.5%) of all households who rent privately and almost a fifth (18.1%) of those in social rented housing aspire to homeownership.

Figure 37: Long-term Tenure Plan by Current Tenure (Source: English Housing Survey 2013-14)

Current Tenure	Long-term Tenure Plan				
	Owner Occupier	Shared Ownership	Rent from Private Landlord	Rent from Social Landlord	Other
Owner occupied	96.1%	0.4%	0.7%	1.1%	1.6%
Private rent	53.5%	2.6%	28.8%	11.4%	3.8%
Social rent	18.1%	1.8%	1.9%	77.0%	1.1%

- 5.59 Considering the long-term expectations of the different types of households who currently live in the private rented sector, Figure 38 compares the expectations of those who are currently in receipt of housing benefit with those who are paying their own rent.

- 5.60 For those households paying their own rents, 65% expected to become owner occupiers, 24% expected to remain in the private rented sector and only 6% expected to move to the social rented sector. Therefore, there is a much higher expectation of moving to owner occupation and a much lower expectation of moving to social rent, particularly for couples aged under 60. Tenants aged 60 years or over who are paying their own rent are more likely to expect to move to social rent, but they do represent a relatively small number of households.
- 5.61 For those in receipt of housing benefit, a total of 28% of households had a long-term expectation that they would be owner occupiers, 42% expected to remain in the private rented sector and 25% expected to move to social rent. Therefore, a significant number of the households in receipt of housing benefit expected to move to social rent. Couples and lone parents with dependent children were less likely to expect to remain in the private rented sector.

Figure 38: Long-term Tenure Expectation for those in the Private Rented Sector with and without Housing Benefit support
(Source: English Housing Survey 2013-14. Note: Own includes shared ownership)

Household type	PRS tenants without HB				PRS tenants in receipt of HB			
	Own	Private rent	Social rent	Other	Own	Private rent	Social rent	Other
One person aged 60+	16.2%	38.1%	16.7%	29.1%	4.8%	66.3%	24.2%	4.7%
Couple, no dependent child(ren) aged 60+	13.9%	54.2%	18.2%	13.6%	0.0%	70.8%	29.2%	0.0%
Sub-total	15.4%	43.9%	17.3%	15.7%	3.5%	67.5%	25.5%	3.4%
One person under 60	56.7%	34.1%	5.1%	4.2%	13.5%	47.7%	30.3%	8.5%
Couple, no dependent child(ren) under 60	76.9%	17.1%	4.0%	1.8%	26.0%	58.8%	10.5%	4.7%
Couple with dependent child(ren)	71.7%	19.6%	6.4%	2.3%	53.3%	28.5%	15.9%	2.3%
Lone parent with dependent child(ren)	59.6%	19.8%	8.8%	12.0%	33.1%	31.9%	31.6%	3.4%
Other multi-person households	66.7%	24.8%	2.4%	6.2%	21.3%	44.8%	26.0%	7.9%
Sub-total	65.2%	23.2%	4.7%	3.8%	32.7%	37.1%	25.5%	4.7%
Total	64.8%	24.5%	5.6%	5.0%	27.9%	42.1%	25.5%	4.4%

Additional Need for Affordable Homeownership

- 5.62 Figure 10 identified that the number of households living in private rented housing in Leicester increased by 91% from 15,663 households in 2001 to 29,911 households in 2011; an increase of 14,248 households; many in younger age groups would have previously been owner occupiers when homeownership was more affordable.
- 5.63 Through combining data on the number of households of each type in each age group living in private rented housing and paying their own rent with the aspiration data from the EHS, Figure 39 establishes the number of existing households likely to aspire to homeownership that have not been counted in the affordable housing need.

Figure 39: Households currently living in the Private Rented Sector and paying their own rent that aspire to homeownership
(Note: Figures may not sum due to rounding)

Household Type	Age of Household Representative						TOTAL
	15-24	25-34	35-44	45-54	55-64	65+	
Single person	288	1,355	813	212	154	73	2,895
Couple without children	397	1,327	341	239	164	31	2,499
Families with child(ren)	138	799	1,004	184	0	0	2,125
Other households	977	679	34	26	26	0	1,742
Total	1,799	4,159	2,192	661	344	104	9,260
<i>Percentage of households</i>	<i>19%</i>	<i>45%</i>	<i>24%</i>	<i>7%</i>	<i>4%</i>	<i>1%</i>	<i>100%</i>

- 5.64 Based on this analysis, we can estimate that there is a total of around 9,260 households currently resident in Leicester who cannot afford to own their own home but would aspire to do so. Nearly 45% of these households are aged 25-34 with the substantial majority (90%) aged under 45.
- 5.65 In addition to the current need, it is also important to consider the household projections for the period 2019-2036. Through combining this data with the aspiration data from the EHS, we can conclude that it is likely that there would be a further 9,446 households that form over the 17-year period who will be able to afford to pay market rent but unable to afford to own, despite that being their aspiration.
- 5.66 Figure 40 brings together the information on assessing the unmet need for affordable housing in 2019 and the associated impact on market housing, together with the future need for market and affordable housing arising over the 17-year period 2019-36.

Figure 40: Assessing total need for market and affordable housing (Source: ORS Housing Model)

	Housing Need (households)		Overall Affordable Housing Need
	Households unable to afford	Households aspiring to affordable home ownership	
Current housing need in 2019	3,451	9,260	12,711
Future housing need 2019-36	5,124	9,446	14,570
TOTAL NEED FOR AFFORDABLE HOUSING	8,575	18,706	27,281

- 5.67 On this basis, we can conclude that the overall need for affordable housing would comprise a total of 27,281 households over the 17-year period 2019-2036, equivalent to an average of 1,604 per annum.
- 5.68 This represents a more than the annual growth of 1,473 households identified by the CLG 2014-based household projections for the LHN period 2020-2030 (Figure 20). This is due to a large proportion of this need being associated with the whole population as opposed to the projected new households, which is recognised by the PPG:

How does the housing need of particular groups relate to overall housing need calculated using the standard method?

The standard method for assessing local housing need identifies an overall minimum average annual housing need figure but does not break this down into the housing need of individual groups. This guidance sets out advice on how plan-making authorities should identify and plan for the housing needs of particular groups of people.

This need may well exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method. This is because the needs of particular groups will often be calculated having consideration to the whole population of an area as a baseline as opposed to the projected new households which form the baseline for the standard method. How can needs of different groups be planned for?

Strategic policy-making authorities will need to consider the extent to which the identified needs of specific groups can be addressed in the area, taking into account:

- » *the overall level of need identified using the standard method (and whether the evidence suggests that a higher level of need ought to be considered);*
- » *the extent to which the overall housing need can be translated into a housing requirement figure for the plan period; and*
- » *the anticipated deliverability of different forms of provision, having regard to viability.*

Planning Practice Guidance, ID 67-001-20190722

- 5.69 The size, type and tenure of homes also needs to be calculated separately from the standard method. PPG February 2019 states:

How does the housing need of particular groups relate to overall housing need calculated using the standard method?

The standard method for assessing housing need does not break down the overall figure into different types of housing. Therefore the need for particular sizes, types and tenures of homes as well as the housing needs of particular groups should be considered separately.

Planning Practice Guidance, ID 2a-017-20190220

- 5.70 Given that the need for affordable housing and affordable home ownership in particular is very high, it is necessary to consider how this need can be addressed within the overall need established.
- 5.71 It will be important for the local authority to plan for the needs of **all** households unable to afford to rent or own market housing if they are going to avoid the number of housing benefit claimants living in private rented housing increasing. This represents a need from 8,575 households.
- 5.72 It is important to recognise that the figures for those who aspire to home ownership are based upon those households who currently can afford market rent. But these households would not necessarily choose new build Affordable Home Ownership if it was available, as some may prefer to secure full ownership in the less expensive second-hand housing market. Similarly, some households may not ultimately need affordable home ownership if their circumstances change to such a degree that they are eventually able to buy without financial assistance. In addition, some of those who aspire to home ownership may be students or others who will migrate out of Leicester. It is also important to recognise that the identified demand could only be realised if Affordable Home Ownership products can be delivered at prices that are truly affordable in the area, in line with local house prices and incomes.
- 5.73 Neither the NPPF or PPG identify that any affordability criteria should be applied to those households who aspire to homeownership but cannot afford to buy their own home. However, it is appropriate to consider the extent to which these households could plausibly afford affordable homeownership products if they were

provided. Whilst a range of affordable homeownership products are available, each with different costs and eligibility criteria, it is unlikely that housing would be delivered at values below 60% of newbuild prices.¹⁴

Income Needed for Affordable Home Ownership

- 5.74 The income needed to purchase affordable home ownership properties will depend on the house price together with the mortgage income multiplier and the available deposit (or percentage loan to value).
- 5.75 To give an illustrative example, taking an existing 1-bedroom property from the prices set out in Figure 13:
- » The lower quartile price recorded was £126,000;
 - » 60% of this price would be £75,600;
 - » Based on a 90% loan-to-value mortgage and using a mortgage income multiplier of 3.5x would therefore need an annual income of £19,500.
- 5.76 Figure 41 shows the levels of income required for a range of property sizes across Leicester. It should be stressed that these are based upon the lower quartile new build prices and a 40% discount on open market sales. They therefore represent the minimum incomes levels which will be required to purchase from schemes such as First Homes and in reality most purchasers will have higher incomes.

Figure 41: Annual income required to Affordable to Own proprieties based on 60% of market price, a 10% deposit and 3.5 times income mortgage by property size (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)

Property Type	Lower Quartile price	60% of Lower Quartile price	Annual Income Needed to Own at Lower Quartile Prices and 60% of market prices
1 bedroom	£126,000	£75,600	£19,500
2 bedrooms	£197,000	£118,200	£30,400
3 bedroom	£265,000	£159,000	£40,900
4+ bedrooms	£302,000	£181,200	£46,600

- 5.77 Given this context, Figure 42 identifies those households with income that would be insufficient to afford 60% of newbuild prices at the lower quartile for the local area, and those households with savings of less than £5,000. This is based on further analysis of the EHS data which considers the income distribution and savings data for households that rent privately but aspire to homeownership. This data has been updated to reflect current income levels and scaled for each local area using indices from the ONS gross disposable household income (GDHI) tables.
- 5.78 Of the 18,706 households who can afford to rent but who aspire to homeownership and cannot afford to buy, there would be 11,726 where the household had insufficient income to have a realistic prospect of being able to afford at 60% of open market values (Figure 42). Of the remaining households with incomes above the minimum threshold, there would be 3,426 where the household had savings of less than £5,000 and were therefore unable to afford the assumed deposit in the local area.

¹⁴ Developers will typically receive 50-60% of open market value when delivering Affordable Rented units

Figure 42: Affordable homeownership housing mix by household affordability to 2019-2036 (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households unable to afford 60% of newbuild LQ	Households able to afford 60% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford and have savings of £5,000 or more
LEICESTER					
1 bedroom	4,711	2,337	2,374	1,158	1,216
2 bedrooms	9,997	6,287	3,710	1,803	1,907
3 bedrooms	3,756	2,907	849	444	405
4+ bedrooms	242	196	46	20	26
TOTAL	18,706	11,726	6,980	3,426	3,554

- 5.79 On this basis, only 3,554 properties are needed for households that aspire to homeownership who have at least £5,000 in savings and incomes above the relevant threshold. This is less than a quarter of the total that was originally identified.
- 5.80 The corollary of this is that of the 18,706 households who can afford to rent, but who wish to own, 15,150 of them will not be able to access affordable home ownership, which leaves a very large growth in the private rented sector of at nearly 6,000 households (15,150 – 9,260 household already aspiring to own) who will require market rent. This is addition to any additional student households and also in addition to any growth in the housing benefit supported private rented sector.
- 5.81 Whilst it will be a policy decision as to how much of the additional need for affordable homeownership from households able to afford market rent should be provided, it would seem appropriate to only plan for the needs of those 3,554 households likely to form an effective demand (i.e. those able to afford the various products that will be available) in addition to the 8,575 households unable to afford. Figure 43 provides a breakdown of the planned affordable housing on this basis. At this stage of the report, the figures relate to households, not dwellings. In Figure 46 these numbers are converted to dwellings by including an allowance for vacant properties.

Figure 43: Overall need for Affordable Housing 2019-36, including aspiring households able to access affordable home ownership, by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Affordable Housing Need		Planned Affordable Housing (Households)
	Households unable to afford	Households aspiring to home ownership	
LEICESTER			
1 bedroom	84	1,216	1,300
2 bedrooms	2,889	1,907	4,796
3 bedrooms	3,798	405	4,203
4+ bedrooms	1,804	26	1,830
TOTAL HOUSING NEED	8,575	3,554	12,129

- 5.82 The LHNA identifies an overall affordable housing need from 12,129 households over the 17-year period 2019-36 (713 per annum). This includes the needs from all households unable to afford to rent or own market housing and also provide for those households who aspire to homeownership but who cannot afford to buy, where there is a realistic prospect of those households being able to purchase an affordable homeownership product.

5.83 However, it is important to recognise that there are many more households who aspire to homeownership who either do not have sufficient income or savings that would enable them to realise their aspiration. It is also important to recognise that these figures assume that the number of households in receipt of housing benefit to enable them to afford market housing in the private rented sector does not change. In determining the affordable housing requirement, the Council may want to consider these households alongside those households living in private rented housing who aspire to home ownership.

6. Overall Housing Need

Local Housing Need based on the Standard Method

Introduction

- 6.1 The NPPF confirms that planning authorities should normally use the standard methodology to establish a minimum Local Housing Need (LHN) figure. Using the process set out in Planning Practice Guidance for Housing Need Assessment [ID 2a-004-20190220] the minimum annual Local Housing Need figure for 2019 can be established as follows:

Figure 44: Establishing the minimum LHN figure for Leicester (Source: CLG, ORS; Note: All figures rounded to the nearest whole number)

	Leicester
Step 1: Setting the baseline	
Total households 2020	136,303
Total households 2030	151,037
10-year change 2020-2030	14,734
Annual average	1,473
Step 2: An adjustment to take account of affordability	
Median workplace-based affordability ratio	6.83
Adjustment factor	17.66%
Affordability uplift	260
Uncapped housing need	1,734
Step 3: Capping the increase	
Adoption date of most recent Local Plan	July-2014
Annual requirement	1,280
[A] Annual requirement with 40% uplift applied	1,792
Household projection with 40% uplift applied	2,063
Strategic policies for housing up to date	No
Local Housing Need	1,734

- 6.2 Based on these calculations, the minimum Local Housing Need figure is 1,734 dwellings per annum. This translates to 29,478 dwellings (1,734 x 17) across the 17-year period.
- 6.3 Since the uncapped housing need figure is lower than both Cap A and Cap B the capping policy will have no influence in Leicester at this stage. Technically, the LHN figure is capped at 40% above the latest household projections because the plan was adopted more than five years ago.
- 6.4 It is important to recognise that the Government has opened a consultation to comprehensively review the standard method over the next few months. It may therefore be necessary to update the LHNA if the Government chooses to adopt a different methodology following the proposed review of the formula.

Establishing the Housing Target

- 6.5 The LHN provides the starting point for establishing the final housing requirement which will be planned for through strategic policies. This is confirmed by PPG at the outset of the section on assessing housing and economic development needs:

Housing need is an unconstrained assessment of the number of homes needed in an area. Assessing housing need is the first step in the process of deciding how many homes need to be planned for. It should be undertaken separately from assessing land availability, establishing a housing requirement figure and preparing policies to address this such as site allocations.

Planning Practice Guidance, ID 2a-001-20190220

- 6.6 In determining the local plan housing target, it will be necessary for the local authorities to consider whether, or not, the LHN could be met within their area, taking account of any constraints on land availability.
- 6.7 Where local authorities are unable to meet their LHN in full, it will be necessary for them to engage with neighbouring authorities through the Duty to Cooperate discussion. This should establish if any of the identified housing need that isn't able to be delivered locally (the "unmet need") could be provided for in neighbouring areas.
- 6.8 The LHNA has identified a substantial need for affordable housing in Leicester: an overall total of around 12,129 households over the 17-year Plan period 2019-36.
- 6.9 PPG identifies that Councils should consider "an increase in the total housing figure included in the local plan" where this could "help deliver the required number of affordable homes" (ID 2a-2a-024-20190220). However, this should be considered in the context of what Mr Justice Dove said in his Judgement for the Borough Council of Kings Lynn and West Norfolk v Elm Park Holdings Ltd:

"The Framework makes clear these 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."

- 6.10 With regard to the PPG, Mr Justice Dove explicitly notes that this should be the "consideration of an increase to help deliver the required number of affordable homes, rather than an instruction that the requirement be met in total". Given the scale of affordable housing need identified, the Councils must consider the justification for "an increase in the total housing figure included in the local plan"; however, as the Inspector examining the Cornwall Local Plan noted in his preliminary findings:

"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."

- 6.11 As affordable housing delivery will typically form a proportion of open-market schemes, it is reasonable to assume that higher overall housing delivery will also yield a higher amount of affordable housing. On this basis, the Inspector examining the Gloucester-Cheltenham-Tewkesbury Joint Core Strategy proposed an uplift of 5% should be applied to help deliver more affordable housing – concluding that the benefits would

outweigh the harms. Nevertheless, whilst the OAN for that area had included a 5% uplift to help align jobs and workers, there was no further uplift in response to affordability pressures and other market signals.

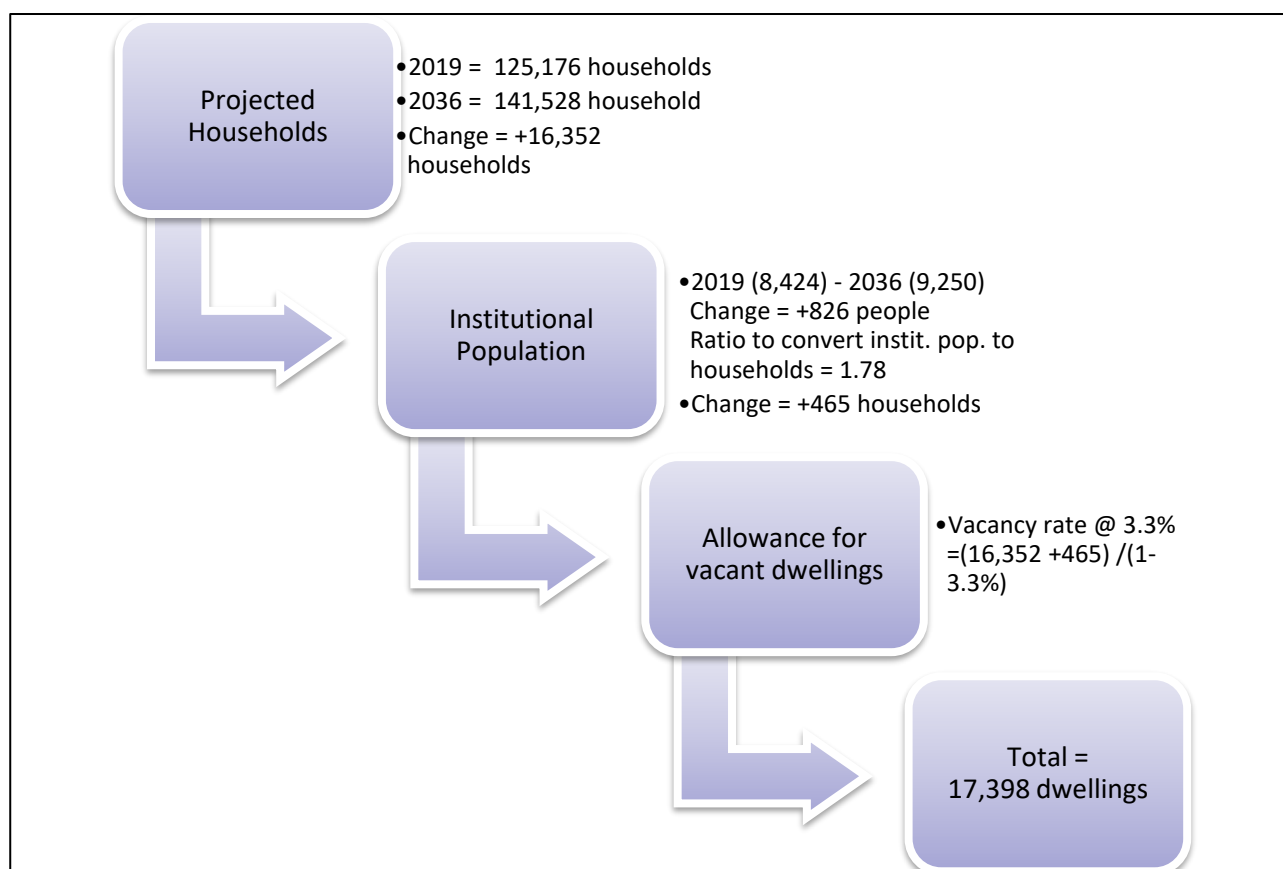
- 6.12 For Leicester, the standard method already includes an uplift of 17.7%. Whilst this uplift has been proposed in order to help improve affordability, they will already contribute to increasing the supply of affordable homes through market-led housing developments. It is also the case that Leicester will seek to deliver affordable housing not directly linked to market sites.
- 6.13 Given this context, we would not recommend any further increase to the overall housing number – but any specific initiatives to help deliver extra affordable housing should be prioritised as far as possible within the planned housing provision.

Disaggregating the minimum Local Housing Need figure

- 6.14 Although the LHN figures are informed by the trend-based household projections, the affordability adjustment (17.7%) means that the LHN figure is higher than the household projection-based estimate of housing need. This increase is designed to help respond to housing market pressures which may have suppressed past rates of household formation.
- 6.15 Given this context, delivering the number of homes that the minimum LHN identifies will yield a different population and household growth to that projected using past trends alone. In assessing the appropriate mix of housing, it is necessary to establish demographic projections to align with the number of homes identified by the standard method.
- 6.16 The demographic projections for the LHNA are based on the latest official projections and cover the 17-year period 2019-2036. They are informed by the latest ONS mid-year estimates,¹⁵ and take account of the most up-to-date fertility and mortality rates and the latest migration trends. Whilst recent trends provide the starting point, the model aligns household growth with the LHN target through varying two key assumptions:
- » Household formation rates for younger households are adjusted on the basis that the Government's objective of providing more homes will enable more households to form. The analysis assumes that household formation rates for all age groups under 45 will progressively increase towards the equivalent rate that was recorded in 2001; and
 - » Where household formation rates for all age groups under 45 have returned to the levels recorded in 2001, the rate of net inward migration is increased to align the overall household growth with the number of dwellings identified by the LHN target.
- 6.17 Figure 45 sets out the separate elements that will contribute to the LHN. These include:
- » Households growth over the 17-year plan period calculated on trend-based projections;
 - » Institutional population growth over the 17-year plan period needing communal accommodation;
 - » Dwellings without a usually resident household (either vacant homes or second homes);
 - » Additional dwellings to respond to pent-up housing market pressure.

¹⁵ The ONS reissued the official estimates for mid-2012 to mid-2016 in March 2018 following methodological improvements

Figure 45: Elements of housing need (Source: CLG, ONS, ORS; Note: All figures presented unrounded for transparency)



- 6.18 At this point in our reporting we are referring to dwellings rather than households. A dwelling is usually occupied by a single household although in some cases two households may share a dwelling (see glossary). Importantly, we need to make an allowance for an inevitable base level of vacant properties and the word household becomes misleading.
- 6.19 Thus, the number of dwellings needed to deal with the projected household and institutional population growth is 16,827. However, if we assume that 3.3%¹⁶ of dwellings will be unoccupied at any one time this means that a total of 17,398 dwellings are required.
- 6.20 The local housing need has already been identified as 1,734 dwellings per annum, which translates to 29,478 dwellings (1,734 x 17) across the 17-year period. This leaves a difference between the housing need figure of 29,478 dwellings and the population projected need of 17,398 dwellings.
- 6.21 This additional need is made up from enabling more households to form¹⁷ (from the pent-up housing demand) = 12,080 dwellings. These households are therefore additional household beyond current projected growth and will allow for a greater number of household formation to relieve pent-up demand from past lower rates of dwelling delivery across Leicester and England as a whole.

¹⁶ Based on 2011 Census data at a local authority level

¹⁷ Based on the assumption that household formation rates for all age groups under 45 are currently constrained and allowing them to return to the equivalent rates recorded in 2001



- 6.22 These 29,478 overall dwellings can be separated into market and affordable housing. Figure 46 shows the result of applying the vacancy rate for affordable homes to the summary of households in Figure 35 and Figure 43. These affordable homes are subtracted from the overall dwelling need calculated above, disaggregating the number of market homes implied by the LHN. Note that the 481 C2 dwellings is the result of applying the market vacancy rate to the 465 institutional households identified in Figure 45. Any additional Class C2 bedspaces provided can be counted at a rate of 1.8 bedspaces equates to one dwellings in the land supply.
- 6.23 The figures allow for all dwellings for households who cannot afford market housing, namely 6,389 who require social rent and 2,241 who require affordable rent. In practice, if a household is not able to afford social rent, they will receive housing benefit or universal credit to assist with their housing costs, and this will apply irrespective of whether they are allocated a social or affordable rented property. Therefore there is flexibility in terms of property types between social and affordable rent in that social rents are cheaper, but affordable rent is more viable and both are covered by housing benefit or universal credit if required. We would also stress again that affordable rent is considered as interchangeable in terms of need with the affordable component of Build to Rent because both apply the same discount to market housing.
- 6.24 In terms of affordable home ownership we have include all households who would qualify for shared ownership and also those who would qualify for First Homes. If the proposals for First Homes go ahead they are likely to absorb much of the Section 106 payments currently used for shared ownership, so they are likely to replace many of the shared ownership schemes. However, if the Council continue to facilitate shared ownership, the figures are considered in Figure 35.
- 6.25 The market housing figure contains both market rent and owned occupied dwellings. As noted above, the figure indicate that if there is not an improvement in affordability, market rent will grow by around 6,000 dwellings for those who aspire to own, plus further potential growth from student households and also from households receiving housing benefit in the private rented sector if insufficient affordable to rent is supplied. The number of owner occupiers in Leicester fell between 2001 and 2011 (Figure 10) and unless affordability improves this trend will continue. Therefore the expectation is that much if not all of the market need is for private rent. While new build dwelling may be occupied as owner occupied it is often the case that the second hand homes left behind by those moving to new estates will become private rented properties.

Figure 46: Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size
 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Affordable Dwellings			Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford		Affordable Home Ownership			
	Social rent	Affordable Rent				
Leicester						
1 bedroom	78	6	1,224	1,308	1,502	2,810
2 bedrooms	2,181	726	1,919	4,827	3,022	7,849
3 bedrooms	2,756	1,066	408	4,230	11,235	15,465
4+ bedrooms	1,373	442	26	1,841	1,032	2,874
DWELLINGS	6,389	2,241	3,576	12,206	16,791	28,997
C2 Dwellings	-	-	-	-	481	481
LHN	6,389	2,241	3,576	12,206	17,272	29,478

7. Needs of Different Groups

Identifying the need for different types of housing

Introduction

- 7.1 Paragraph 61 of the Revised NPPF requires that local planning authorities consider the needs of a range of groups within the population and this chapter considers each group in turn.

61. Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes.

Revised NPPF, paragraph 61

Studio Apartments

- 7.2 A studio apartment can be defined as:

“an apartment with only one room, a bathroom, and a kitchen area”¹⁸

- 7.3 Figure 46 identifies a need for around 1,500 market 1-bedroom properties in Leicester over the period 2019-36. However, this assumes that there is continuation of household formation trends in the city which will see the majority of these small market dwellings being identified for older person households.
- 7.4 One very startling statistic from the demographic data for Leicester is that while the number of single persons aged 25-34 years is projected to rise by nearly 1,000 (Figure 22), single person households aged 25-34 years are projected to fall by 2036 (Figure 25). At the same time, the number of ‘Other’ households headed by someone aged 25-34 years is projected to rise by 580 households in the same timeframe. Therefore, there is going to be a significant decline in headship rates for single persons aged 25-34 years in Leicester. At the heart of this issue is that in areas with large student population like Leicester, many recent graduates will not form their own household immediately, but will instead share properties with other young adults. The increasing pressures for social housing and rising private rents have seen fewer young households living on their own and more living in HMO type accommodation.
- 7.5 One type of dwelling which may address this issue is shared housing-with small purpose-built units with shared amenity spaces such as high-quality purpose-built co-living or co-housing rather than traditional HMOs. A succinct definition of co-housing is:

“Cohousing, a generic term, covers various forms of housing, owned and rented, that are developed and/or owned and/or managed by their residents as a distinct community”¹⁹

- 7.6 While more specifically, the definition of co-living that we are using here is:

¹⁸ <https://dictionary.cambridge.org/dictionary/english/studio-apartment>

¹⁹ http://www.cih.org/resources/PDF/Wales%20Events/older_peoples_housing/Jon%20Stevens.pdf

“the practice of living with other people in a group of homes that include some shared facilities”²⁰

7.7 This study works to the definition above so as to be clear what is meant by the term co-living without tying in to any particular model. Nevertheless, co-living can involve a greater level of community involvement:

“Co-living is a type of intentional community providing shared housing for people with shared intentions. This may simply be coming together for activities such as meals and discussion in the common living areas, yet may extend to shared workspace and collective endeavours such as living more sustainably”²¹.

7.8 Given that Leicester is projected to see a decline in single young person households, then the household projections would envisage little role for this type of dwelling, and this is reflected in our modelled size and tenure mix. However, as a policy led response to the increasing lack of housing for younger people in the area the schemes offer greater opportunities for groups such as recent graduates looking to establish themselves in Leicester as an alternative to living in HMOs.

7.9 At the same time, the PRS is an important tenure that has grown since 1991 to house a significant proportion of other households. It may be that dwellings are currently being built as family housing but are being occupied by sharing young households. In the future these properties could be re-used as family housing if high quality purpose built co-living schemes could be developed for single person or couples housing.

7.10 It is difficult to project a need for studio apartments or co-living schemes because it may be that many young people prefer to share and save for their own property rather than have their own more expensive separate unit. However, the scale of the student numbers in Leicester would suggest that there is a market for post-student self-contained units and that this is likely in turn to reduce the need for larger market properties to be converted to HMOs. However, as with any active policy, there are risks of an over-supply of small dwellings which would exclude the ability of families to form in the area.

Student Housing

7.11 PPG includes specific reference to identifying the needs of students:

Strategic policy-making authorities need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus ... Local Planning Authorities will also need to engage with universities and other higher educational establishments to ensure they understand their student accommodation requirements

Planning Practice Guidance, ID 67-004-20190722

7.12 There are two major Higher Education Institutions (HEIs) in Leicester which are covered by Higher Education Statistics Agency (HESA) publications: University of Leicester and the De Montfort University. They had a combined total of 43,100 student registered in the 2017/18 academic year, which represents an increase of around 5,465 students since 2014/15 when there were 37,645 students registered. The change has largely been associated with a larger number of undergraduate students registered at the De Montfort (which has increased from 16,020 in 2014/15 to 20,855 in 2017/18). However, it should be remembered that not all the students live in Leicester City, with for example the University of Leicester having a campus in Oadby. The

²⁰ <https://dictionary.cambridge.org/dictionary/english/co-living>

²¹ <https://en.wikipedia.org/wiki/Coliving>

Council estimate that there are around 25,000 students from these two universities living in Leicester at any one time.

- 7.13 Leicester College is also situated in Leicester. Leicester College has 26,000 students but these students are predominantly local and do not require additional accommodation.

Figure 47: Students at the two largest Higher Education Establishments (Source: HESA, January 2019)

	Academic Year			
	2014/15	2015/16	2016/17	2017/18
UNIVERSITY OF LEICESTER				
Undergraduate	11,030	11,505	12,075	12,555
Postgraduate	6,965	6,315	4,725	4,855
University of Leicester Total	17,995	17,820	16,800	17,410
DE MONTFORT UNIVERSITY				
Undergraduate	16,020	17,140	19,125	20,855
Postgraduate	3,630	3,765	4,080	4,845
De Montfort University Total	19,650	20,905	23,205	25,700

- 7.14 Currently there are 8,389 'student exempt properties' which do not have to pay council tax²² because of being all-student households in the Leicester. At the time of the 2011 Census there were 5,604 private sector dwellings occupied by all student households in Leicester, at an average occupancy of 2.5 students per dwellings. Some of these properties are multi-occupants HMOs, but the figures will also include those occupying student flats on their own.
- 7.15 On this basis, there has been a very significant growth in the number of students occupying private sector dwellings in Leicester, which will have increased the pressure on the housing stock of the city particularly as there has also been a growth in households in receipt of housing benefit in the private rented sector and a growth in households renting privately.
- 7.16 The Council has also sought to protect existing family accommodation across the city and regulate the use of HMOs through Article 4 direction areas. The Council has also encouraged student accommodation to be located outside of areas which have seen a loss in family accommodation, such as Article 4 direction areas.
- 7.17 In the past 4 years the Council has granted planning permission for nearly 4,000 student bedspaces, with many of these properties having already been delivered. However, this number is not even sufficient to keep pace with the change in student numbers since 2014, so the impact of students on the Leicester housing market is likely to be growing. Therefore, there is a strong case for further development of purpose-built student accommodation in the city.
- 7.18 The household projections (Figure 25) show a further growth of 1,920 'Other Households' projected for Leicester, with the vast majority of these projected to be students. To address the needs of the students in the 1,920 other households would require a further 4,800 bedspace to be provided over the next 17 years on the assumption that 2.5 bedspaces equate to one dwelling. However, this does assume that student numbers continue to rise at the universities. If the impact of COVID 19, and Brexit limits the growth of student numbers in Leicester then fewer student bedspaces are required. Therefore, this is an area which will require

²² Student exempt all-student dwellings have been identified from Council Tax data provided by Leicester City Council.

an active policy across the period of a Local Plan because the level of uncertainty around student numbers is extremely high at the moment.

Service Families

- 7.19 Paragraph 61 of the Revised NPPF identifies that local planning authorities should plan for the needs of different groups in the community, including service families. Local planning authorities should:

Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes

Revised NPPF, Paragraph 61

- 7.20 At the time of the 2011 Census there were 144 armed forces personnel living in Leicester, with 138 of these in private accommodation and 6 in communal barracks.
- 7.21 On this basis it is clear that the number of MOD personnel deployed in Leicester is negligible and there is no identifiable housing need for service families.

People Wishing to Build their Own Homes

- 7.22 Paragraph 61 of the Revised NPPF identifies that local planning authorities should plan for people wishing to build their own homes, and PPG states:

How can Self-build and custom housebuilding needs be assessed?

Most local planning authorities (including all district councils and National Park Authorities) are now required to keep a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area in order to build their own home. The Self-build and Custom Housebuilding (Register) Regulations 2016 set out these requirements. For further details, see guidance on self-build and custom housebuilding registers.

To obtain a robust assessment of demand for this type of housing in their area, local planning authorities should assess and review the data held on registers. This assessment can be supplemented with the use of existing secondary data sources such as building plot search websites, 'Need-a-Plot' information available from the Self Build Portal and enquiries for building plots from local estate agents.

Planning Practice Guidance, ID: 67-003-20190722

- 7.23 Over half of the population (53%) say that they would consider building their own home²³ (either directly or using the services of architects and contractors); but it is important to note that this figure probably conflates aspiration with effective market demand. Self-build currently represents only around 10% of housing completions in the UK, compared to rates of around 40% in France and 70 to 80% elsewhere in Europe.

²³ Building Societies Association Survey of 2,051 UK consumers 2011

- 7.24 The attractiveness of self-build is primarily reduced costs; however, the Joseph Rowntree Foundation report *“The current state of the self-build housing market”* (2001) showed how the sector in the UK had moved away from those unable to afford mainstream housing towards those who want an individual property or a particular location.
- 7.25 *“Laying the Foundations – a Housing Strategy for England”* (HM Government, 2011)²⁴ redefined self-build as ‘Custom Build’ and aimed to double the size of this market, creating up to 100,000 additional homes over the decade. *“Build-it-yourself? Understanding the changing landscape of the UK self-build market”* (University of York, 2013) subsequently set out the main challenges to self-build projects and made a number of recommendations for establishing self-build as a significant contributor to housing supply. The previous Government also established a network of 11 Right to Build ‘Vanguards’ to test how the ‘Right to Build’ could work in practice in a range of different circumstances.
- 7.26 In the Budget 2014, the Government announced an intention to consult on creating a new ‘Right to Build’, giving ‘Custom Builders’ a right to a plot from councils. The Self-Build and Custom Housebuilding Act²⁵ 2015 places a duty on local planning authorities to:
- » Keep a register (and publicise this) of eligible prospective ‘custom’ and self-build individuals, community groups and developers;
 - » Plan to bring forward sufficient serviced plots of land, probably with some form of planning permission, to meet the need on the register and offer these plots to those on the register at market value; and
 - » Allow developers working with a housing association to include self-build and custom-build as contributing to their affordable housing contribution.
- 7.27 The 2015 Act was amended by the Housing and Planning Act 2016²⁶ which placed a duty on local planning authorities to provide serviced sites which have planning permission that allows for self or custom build:
- “An authority to which this section applies must give suitable development permission in respect of enough serviced plots of land to meet the demand for self-build and custom housebuilding in the authority’s area arising in each base period”.* (Section 2(a)(2))
- 7.28 Limited Government funding²⁷ is currently available via the HCA Custom Build Homes Fund programme (short-term project finance to help unlock group custom build or self-build schemes). The Government announced further measures in 2014 (Custom Build Serviced Plots Loan Fund) to encourage people to build their own homes, and to help make available 10,000 ‘shovel ready’ sites with planning permission. Given this context, it is important to recognise that self-build could either be market housing or low-cost home ownership affordable housing products. Nevertheless, it is likely that the majority will be market homes.
- 7.29 The Council launched its Self & Custom Build Register in April 2016 and there were 127 registrations over the period to the end of October 2019. However, this includes households who are seeking to use developer led custom build or group self-build, so not all are seeking to build individual properties of their own.

²⁴ <https://www.gov.uk/government/publications/laying-the-foundations-a-housing-strategy-for-england--2>

²⁵ <http://services.parliament.uk/bills/2014-15/selfbuildandcustomhousebuilding.html>

²⁶ <http://services.parliament.uk/bills/2015-16/housingandplanning.html>

²⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/364100/custom_build_homes_fund_prospectus_120712.pdf

- 7.30 A figure of 127 applications is not a particularly high figure for a local authority. It should also be remembered that many small housing schemes contribute to self and custom build provision and that these will continue to arise as windfall schemes in the future.
- 7.31 Overall, the self-build register indicates some interest in schemes in Leicester, but the Council's main duty in this area is not to find plots for applicants, but it is instead to ensure that there is a supply of sites suitable for self and custom builders to use. Given the scale of interest, this will not require a significant amount of land, but the council should seek to work with developers, particularly of small sites, to ensure that some plots come forward. At current rates of interest, this will require to be around 30 plots per annum, many of which will occur on windfall sites.

Housing for Older People

- 7.32 Britain's population is ageing, and people can expect to live longer healthier lives than previous generations. The older population is forecast to grow to 17.6m by 2035 for the over 60s, and from 1.3m (2016) to 3.6m by 2035 for the over 85s.²⁸
- 7.33 Given this context, PPG recognises the importance of providing housing for older people. Additional PPG "Housing for older and disabled people" was published on 26th June 2019, which states:

The future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector ... Evidence from Joint Strategic Needs Assessments prepared by Health and Wellbeing Boards can also be useful. The assessment of need can also set out the level of need for residential care homes

Planning Practice Guidance, ID 63-004-20190626

- 7.34 The 2014-based projections identify that the population of Leicester is likely to increase from 358,120 persons to 395,154 persons over the 17-year period 2019-36; a 17-year increase of 37,035 persons.
- 7.35 The population in older age groups is projected to increase substantially during this period, with an increase in the population aged 65 or over of 17,868, compared to an increase of 19,167 amongst under 65s. Of the growth in the 65 or over population, nearly two-thirds are projected to be 75+ (11,255 persons). This is particularly important when establishing the types of housing required and the need for housing specifically for older people. Whilst most of these older people will already live in the area and many will not move from their current homes; those that do move home are likely to be looking for suitable housing.

Figure 48: Resident population for 2019 and 2036 and summary of 17-year change by age for Leicester (Note: Figures may not sum due to rounding. Source: Dwelling-led population projections based on the identified Local Housing Need)

	Age					TOTAL
	0-15	16-64	65-74	75-84	85+	
RESIDENT POPULATION						
2019	77,190	237,702	24,162	13,179	5,887	358,120
2036	80,652	253,406	30,775	20,976	9,344	395,154
TOTAL CHANGE 2019-2036	+3,463	+15,704	+6,614	+7,797	+3,457	37,035

²⁸ ONS 2016-based sub-national population projections

- 7.36 The Housing Learning and Improvement Network (LIN) published “More Choice, Greater Voice: a toolkit for producing a strategy for accommodation with care for older people.”²⁹ in February 2008; and subsequently published the “Strategic Housing for Older People (SHOP)”³⁰ resource pack in December 2011. Both the toolkit and the resource pack provide standardised rates for estimating the demand for a range of specialist older person housing products, based on the population aged 75 or over, and these have informed the evidence base for many adopted Local Plans.

Figure 49: Benchmark Figures for Specialist Older Person Housing

Form of Provision	More Choice, Greater Voice toolkit			SHOP resource pack		
	Owned	Rented	TOTAL	Owned	Rented	TOTAL
Demand per 1,000 persons aged 75+						
Leasehold Schemes for the Elderly (LSE)	75	-	75	120	-	120
Conventional Sheltered Housing	-	50	50	-	60	60
Sheltered ‘plus’ or ‘Enhanced’ Sheltered	10	10	20	10	10	20
Extra care	12.5	12.5	25	30	15	45
Dementia	-	10	10	-	6	6
TOTAL	97.5	92.5	180	160	91	251

- 7.37 These rates provide a useful framework for understanding the potential demand for different forms of older person housing, but neither publication provides any detail about the derivation of the figures. The More Choice, Greater Voice toolkit recognises that the suggested framework simply:

“...represents an attempt to quantify matters with explicit numerical ratios and targets. It is contentious, but deliberately so, in challenging those who must develop local strategies to draw all the strands together in a way that quantifies their intentions.” (page 44)

- 7.38 Similarly, the SHOP resource pack acknowledges that the framework simply provides a baseline, which extrapolates “...crude estimates of future demand from existing data” (page 36). There is no single correct answer when estimating the need for older person housing, however the rates provide a basis for identifying the potential levels of demand.
- 7.39 In Leicester, the current rate of older person provision per 1,000 persons is around 79, not the 180 set out in the More Choice, Greater Voice framework or 251 set out in the Housing LIN model. Therefore, current provision is less than half that required to comply with the idealised frameworks in the models.
- 7.40 The Older People housing options considered in this section follow the definitions in the 2012 Housing Our Ageing Population report (HAPPI2).³¹ This defines specialist provision as mainstream (including adapted and wheelchair homes), specialised housing (including Extra Care and sheltered housing) and Care Homes (including both Registered Nursing and Registered Care Homes). The specialist housing requirements here were modelled using the Housing Learning and Improvement Network (Housing LIN) SHOP resource pack methodology (2012).³² This forecasts future population and then applies a benchmark need for particular housing types per thousand people aged 75+.

²⁹ http://www.housinglin.org.uk/library/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf

³⁰ <http://www.housinglin.org.uk/library/Resources/Housing/SHOP/SHOPResourcePack.pdf>

³¹ http://www.housinglin.org.uk/library/Resources/Housing/Support_materials/Other_reports_and_guidance/Housing_our_Ageing_Population_Plan_for_Implementation.pdf

³² www.housinglin.org.uk/housinginlaterlife_planningtool

- 7.41 Based on the projected growth in population aged 75+ identified, the table below identifies the potential additional requirement for new specialist housing (using the Housing LIN Older People Resource Pack 2012) for the period 2019-2036. As can be seen, the Housing LIN approach shows a significant need for ownership schemes (e.g. LSE schemes, Extra care, Sheltered 'plus') in Leicester.

Figure 50: Modelled Demand for Additional Specialist Older Person Housing 2019-36 (Source: Housing LIN Toolkit)

Property Type		Leicester
Population aged 75+		
	2019	19,066
	2036	30,320
Change 2019 - 36		+11,255
Modelled Demand		
Traditional sheltered		675
Extra care	Owned	338
	Rented	169
Sheltered 'plus' or 'Enhanced' Sheltered	Owned	113
	Rented	113
Dementia		68
Leasehold Schemes for the Elderly (LSE)		1,351
TOTAL		2,825

- 7.42 The toolkit identifies future need for 2,825 specialist older person additional housing units of various types over the period 2019-36. Based on the Housing LIN benchmark figures, almost a half of this need (48%, 1,351 dwellings) is for LSE housing³³ and a total of 1,802 dwellings are for ownership including LSE.
- 7.43 Figure 51 identifies the existing stock of specialist Older Person housing based on data published by the Elderly Accommodation Counsel (EAC).³⁴ This identifies a total of 1,512 homes in Leicester.

Figure 51: Existing Stock of Specialist Older Person Housing for each area (Source: EAC 2015)

Property Type		Local Authority
		Leicester
Housing with support	Owned	140
	Rented	1,124
Housing with care	Owned	0
	Rented	248
TOTAL		1,512

³³ The EAC advise: 'Leasehold Schemes for the Elderly (LSE) are run by a small number of housing associations and involve you buying a proportion (e.g. 70%) of the equity of the property, the remaining portion being owned by the RSL'. <http://www.firststopcareadvice.org.uk/jargon-leasehold-schemes-for-the-elderly.aspx>

³⁴ <http://www.housingcare.org/downloads/eac%20stats%20on%20housing%20for%20older%20people%20March%202015.pdf>

The EAC 'acknowledges both the rented and private sectors contain a wide range of housing types intended for older people. The social sector has traditionally distinguished these as Category 1, 2 etc., but the private sector tends to refer to them all simply as "retirement housing". This report looks only at schemes that fall within the following definition: "a group of dwellings intended for older people and served by a resident or non-resident warden/scheme manager with specific responsibility for the group". It is important to note that a considerable proportion of housing intended for older people falls outside this definition, and is therefore excluded. Extra care, assisted living, and other forms of 'housing with care' are included.

- 7.44 While the Housing LIN model identifies future need, this is on the basis of existing types of provision (sheltered, extra care etc). It is unclear, at the present time, if Older People will aspire to these types of specialist housing in the future; indeed, demand for some types are already experiencing low demand, and other, newer types of provision may appear to meet changing aspirations in the market. Further, the policy aim of supporting people at home for longer could mean, for example, that floating support services and assistive technologies to older people, in their own homes, could sustain people there longer.
- 7.45 The table below identifies the potential requirement for new specialist housing, taking account of the current population and existing stock together with the additional demand for the period 2019-2036 based on the projected change in population aged 75+.

Figure 52: Modelled Demand for Older Person Housing in Leicester based on Housing LIN Toolkit

		Rate per 1,000 persons aged 75+	Gross need 2019	Existing supply	Backlog at start of period	Gross need 2036	New need 2019-36	Overall need
Sheltered Housing	Owned	120	2,288	140	+2,148	3,638	+1,351	+3,498
	Rented	60	1,144	1,124	+20	1,819	+675	+695
Extra Care	Owned	40	763	0	+763	1,213	+450	+1,213
	Rented	31	591	248	+343	940	+349	+692
TOTAL		251	4,786	1,512	+3,274	7,610	+2,825	+6,098

- 7.46 The analysis of the need for specialist older person housing identifies a backlog of 3,274 dwellings at the start of the Plan period in 2019. Over the 17-year Plan period 2019-36, this analysis identifies an increase in need of around 2,825 additional homes; yielding a total need of around 6,098 dwellings to be provided over the Plan period.
- 7.47 However, it should be stressed that these figures are based upon idealised outcomes for Leicester. If current rates of provision were to continue a further 900 specialist older person dwellings would be required. Therefore there is a very big range of potential levels of need for specialist older person housing.
- 7.48 It is important that the delivery of specific schemes for specialist older person housing are considered in partnership with other agencies, in particular those responsible for older person support needs. It will also be important to consider other factors and constraints in the market:
- » **Demographics:** the changing health, longevity and aspirations of Older People mean people will live increasingly healthy longer lives and their future housing needs may be different from current needs;
 - » **New supply:** development viability of schemes, and the availability of revenue funding for care and support services, need to be carefully considered before commissioning any new scheme. It will also be important for the Council and its partners to determine the most appropriate types of specialist older person housing to be provided in the area;
 - » **Existing supply:** while there is considerable existing specialist supply, this may be either inappropriate for future households or may already be approaching the end of its life. Nevertheless, other forms of specialist older person housing may be more appropriate than conventional sheltered housing to rent when considering future needs;

- » **Other agencies:** any procurement of existing supply needs to be undertaken with other agencies who also plan for the future needs of Older People, particularly local authority Supporting People Teams and the Health Service; and
- » **National strategy and its implications for Older People:** national strategy emphasises Older People being able to remain in their own homes for as long as possible rather than specialist provision, so future need may, again, be overstated.

7.49 In conclusion, population projections show a large increase in older people between 2019 and 2036, an increase of 11,255 persons aged 75+ and a corresponding need for dedicated housing options. However, it must be recognised that the identified need amounts to around 21% of the LHN for Leicester and is based upon increasing the level of older persons housing provision to idealised levels. In practice, this level of delivery is likely to be unachievable, but it is important to recognise that the provision of dedicated older person housing schemes will form an important part of the overall housing mix. In particular, there is currently a very low level of provision of older person housing to own in the city.

Housing for People with Disabilities

7.50 Paragraph 61 of the Revised NPPF identifies that local planning authorities should plan households with specific needs, and PPG states:

What evidence can plan-makers consider when identifying the housing needs of people with disabilities?

Multiple sources of information may need to be considered in relation to disabled people who require adaptations in the home, either now or in the future. The Census provides information on the number of people with a long-term limiting illness and plan-makers can access information from the Department for Work and Pensions on the numbers of Personal Independence Payment (replacing Disability Living Allowance) / Attendance Allowance benefit claimants. Whilst these data sources can provide an indication of the number of disabled people, not all of the people included within these counts will require adaptations in the home. Applications for Disabled Facilities Grant (DFG) will provide an indication of levels of expressed need, although this will underestimate total need, as there may be a large number of people who would want or need an adaptation, but would not have applied to the DFG.

Engagement at all levels can help plan-makers identify the housing needs of people with disabilities. This could include with occupational therapists and specialist access or inclusive design officers. Discussions with disabled people and disabled people's groups can also provide insights into the types of impairments and number of people likely to require accessible homes in the future.

Planning Practice Guidance, ID 63-005-20190626

7.51 Personal Independence Payments started to replace the Disability Living Allowance from April 2013, and these are awarded to people aged under 65 years who incur extra costs due to disability (although there is no upper age limit once awarded, providing that applicants continue to satisfy either the care or mobility conditions). Attendance Allowance contributes to the cost of personal care for people who are physically or mentally disabled and who are aged 65 or over. Nevertheless, PPG recognises that neither of these sources provides information about the need for adapted homes as *"not all of the people included within these counts will require adaptations in the home"*.

- 7.52 Disabled Facilities Grants (DFG) are normally provided by Councils and housing associations to adapt properties for individuals with health and/or mobility needs who are owner occupiers, or renting from a private landlord, housing association or council. Grants cover a range of works, ranging from major building works, major adaptations to the property and minor adaptations.
- 7.53 However, PPG notes that whilst patterns of DFG applications “provide an indication of levels of expressed need” it cautions that this could “underestimate total need”. Of course, it is also important to recognise that DFGs typically relate to adaptations to the existing housing stock rather than new housing provision.
- 7.54 The Government’s reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. This was reflected in the recent changes to building regulations relating to adaptations and wheelchair accessible homes that were published in the Building Regulations 2010 Approved Document Part M: Access to and use of buildings (2015 edition incorporating 2016 amendments – for use in England).³⁵
- 7.55 Three standards are covered:
- » M4(1) Category 1: Visitable dwellings – Mandatory, broadly about accessibility to ALL properties;
 - » M4(2) Category 2: Accessible and adaptable dwellings – Optional, similar to Lifetime Homes;
 - » M4(3) Category 3: Wheelchair user dwellings – Optional, equivalent to wheelchair accessible standard.
- 7.56 Given that the existing stock is considerably larger than projected new build, adapting existing stock through DFGs is likely to form part of the solution. However, the English Housing Survey identifies that approaching half of all existing dwellings could not be adapted or would require major works in order for them to be made fully visitable. On this basis, adapting existing stock alone is unlikely to provide sufficient properties to meet the needs of a growing older population.

³⁵ <https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m>

Figure 53: Level of work required to create full visitability (Source: EHS 2014-15 Annex Figure 2.5)



^{7.57} In terms of new developments, Part M states that: “Where no condition is imposed, dwellings only need to meet requirements M4(1)” (Paragraph 0.3). Local authorities should identify the proportion of dwellings in new developments that should comply with the requirements for M4(2) Category 2 and M4(3) Category 3 as part of the Local Plan, based on the likely future need for housing for older and disabled people (including wheelchair user dwellings) and taking account of the overall impact on viability.

^{7.58} Planning Practice Guidance for Housing optional technical standards states the following, and the data sheet forms the basis of the data used in this report:

Based on their housing needs assessment and other available datasets it will be for local planning authorities to set out how they intend to approach demonstrating the need for Requirement M4(2) (accessible and adaptable dwellings), and / or M4(3) (wheelchair user dwellings), of the Building Regulations.

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To assist local planning authorities in appraising this data the Government has produced a summary data sheet. This sets out in one place useful data and sources of further information which planning authorities can draw from to inform their assessments. It will reduce the time needed for undertaking the assessment and thereby avoid replicating some elements of the work.

Planning Practice Guidance, ID 56-007-20150327

^{7.59} Building Regulations for M4(2) Category 2: Accessible and adaptable dwellings states that reasonable provision should be made for people to gain access to and use the facilities of the dwelling and that:

“The provision made must be sufficient to -

(a) meet the needs of occupants with differing needs, including some older or disabled people, and;

(b) to allow adaptation of the dwelling to meet the changing needs of occupants over time.” (Page 10)

- 7.60 On this basis, in establishing the need for M4(2) Category 2 housing it is important to consider the population projections and health demographics of the area.
- 7.61 When considering the housing mix, the analysis above identified that many households moving into new housing are likely to be younger at the time that they form. However, these will include some households with mobility problems. Furthermore, it is likely that the needs of these households will change over time – partly through progressive change as health deteriorates with households get older, but also immediate change following an accident or health condition impacting mobility. Some households may also gain additional members with existing conditions, including children born with disabilities.
- 7.62 Our analysis also identified a substantial growth in older households, although many of these will not move from their current home and will make adaptations as required to meet their needs. However, a large number of older households will still choose to move to an accessible home and others may have to move where it is not viable for their current home to be adapted. Not all of these households want to live in specialist older person housing, so it is important to ensure that accessible general needs housing that is suitable for older people is also provided. This will often free up family housing occupied by older households.
- 7.63 Not all health problems will affect households’ housing needs. Data from the English Housing Survey identifies that 70.9% of households have no limiting long-term illness (LLTI) or disability with a further 20.3% where there is a household member with an illness or disability, but this does not affect their housing need. Nevertheless, around 8.8% of households (around 1 in every 12) have one or more persons with a health problem which requires adaptations to their home. The proportion is markedly higher in affordable housing than in market housing (19.8% and 6.5% respectively).
- 7.64 Within this group, the substantial majority of households (82.6%) live in a home that is suitable for their needs (either having already moved or adapted their existing home). Nevertheless, just over 17% of households with a disability that affects their housing need either require adaptations or need to move to a more suitable home, which equates to 1.5% of all households.

Figure 54: Households with a long-term illness or disability that affects their housing needs (Source: English Housing Survey)

	Market housing	Affordable housing	TOTAL
Households without limiting long-term illness or disability	75.2%	50.2%	70.9%
Households with one or more persons with a limiting long-term illness or disability			
Does not affect their housing need	18.3%	29.9%	20.3%
Current home suitable for needs	5.4%	16.2%	7.3%
Current home requires adaptation	0.6%	1.6%	0.8%
Need to move to a more suitable home	0.5%	2.0%	0.7%

Total households where a limiting long-term illness or disability affects their housing need:	6.5%	19.8%	8.8%
Of those households where a limiting long-term illness or disability affects their housing need:			
Current home suitable for needs	83.1%	81.9%	82.6%
Current home requires adaptation	9.4%	8.1%	8.9%
Need to move to a more suitable home	7.4%	10.0%	8.4%

- 7.65 Through combining the national data from the English Housing Survey with data about relative levels of limiting long-term illness and disability in Leicester, it is possible to estimate the number of households likely to require adaptations or needing to move to a more suitable home in the housing market area.
- 7.66 Figure 55 identifies that in 2019 there were around 41,313 households in Leicester that included one or more persons with a limiting long-term illness or disability. This covers all health issues where housing need is affected, not just anyone with a physical disability. This included around 12,663 households where their health problems affected their housing needs, but the majority of these households (around 10,302) were already living in a suitable home. However, at the start of the Plan period in 2019, it is estimated that there were around 1,203 households needing to move to a more suitable home due to a disability or another long-term health problem. These households would represent an existing need for M4(2) housing, however some of these households would be wheelchair users needing M4(3) housing. A further 1,158 households did not need to move, but need adaptations to their current home.

Figure 55: Households with a long-term illness or disability in Leicester in 2019 by effect on housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	TOTAL
Households with one or more persons with a limiting long-term illness or disability	41,313
Does not affect their housing need	28,650
Current home suitable for needs	10,302
Current home requires adaptation	1,158
Need to move to a more suitable home	1,203
Total households where a limiting long-term illness or disability affects their housing need:	12,663

- 7.67 In addition to the identified need for 1,203 adapted homes at the start of the Plan period is based on households' current needs. The M4(2) standard also requires "*the changing needs of occupants over time*" to be considered. Therefore, even without any change to the number of households in Leicester, the number of households with one or more persons with a limiting long-term illness or disability will increase over time as people get older.
- 7.68 Whilst around 12,663 households living in Leicester in 2019 had a health problem that already affected their housing requirement, it is likely that a further 5,715 households would develop health problems within 10 years. These households would also require adaptations to their current home or would need to move to a more suitable home.
- 7.69 Based on the household projections and the overall housing need, we can establish the future need for adapted housing in the housing market area based on the projected household growth and the changing demographics of the area.

- 7.70 Further modelling of health needs suggests that by 2036 there will be an additional 14,843 households either already experiencing health problems or likely to develop health problems within 10 years. Some of these will be new households, but many will be existing households resident in 2019 whose health has deteriorated over the Plan period.
- 7.71 Therefore, considering the needs of households resident at the start of the Plan period together with the projected household growth and changing demographics (in particular the ageing population), there will be a total of 20,557 households either needing adaptations to their existing housing or suitable new housing to be provided. This is in addition to the 1,203 households needing to move and the 1,158 households needing adaptations based on their current health at the start of the Plan period.

Figure 56: Households with a long-term illness or disability in Leicester in 2019 by effect on housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	TOTAL
Households where an existing illness or disability affects their housing need in 2019	
Current home suitable for needs	10,302
Current home requires adaptation	1,158
Need to move to a more suitable home	1,203
Total households where a limiting long-term illness or disability affects their housing need in 2019	12,663
Existing households in 2019 likely to develop health problems that affect their housing need within 10 years	5,715
Additional households in 2036 projected to experience problems or likely to develop problems within 10 years	14,843
Additional households in 2036 where illness or disability affects their housing need or will develop within 10 years	20,557

- 7.72 To provide M4(2) housing for all of the identified need would require housing for up to 21,760 households to be provided. However, not all households will want to move to new housing – some will adapt their current homes and others will move to another dwelling in the existing stock.
- 7.73 Although some households would prefer not to move, Figure 53 identified that many existing homes were not suitable for adaptation to meet the M4(1) Category 1 standard and others would require major works. Fewer dwellings would be adaptable to the M4(2) Category 2 standard given the additional requirements. Based on the housing mix in Leicester, it is likely that around 53% will live in dwellings that could be converted to meet the M4(1) standard.
- 7.74 Whilst the proportion of existing homes that could be converted to meet the M4(2) standard will be lower than the proportion that could be converted to meet M4(1), the figure for M4(1) provides a reasonable upper estimate of the number of households likely to be able to adapt existing homes rather than move to new housing. On this basis, we could assume that the minimum need for adapted housing is at least 47% of the upper estimate. This gives a lower estimate of 10,821 households needing to move, including the 1,203 households identified as needing to move at the start of the Plan period.

Figure 57: Households with a long-term illness or disability in Leicester in 2019 by effect on housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	TOTAL
Existing need in 2019	
Households where an existing illness or disability affects their housing need and need to move in 2019	1,203
Projected future need 2019-36	
Additional households in 2036 where illness or disability affects their housing need or will develop within 10 years	20,557
Maximum need for adapted housing 2019-36 (households)	21,760
Less households living in dwellings adaptable to M4(1) standard	10,939
Minimum need for adapted housing 2019-36 (households)	10,821

- 7.75 There is inevitably uncertainty about how many households will be able to meet their housing needs without moving and how many will move to existing homes rather than new housing. Nevertheless, the maximum of 21,760 households and minimum of 10,821 households identified in Figure 57 provide an appropriate range for the local authority to consider. Even the lower end of this scale represents approaching 37% of the LHN figure for Leicester.
- 7.76 It is important to recognise that this would represent the combined need for both M4(2) Category 2 and M4(3) Category 3 housing; for households with a wheelchair user would be included within those households counted as having a health problem or disability that affects their housing need.

Home Ownership for Disabled People

- 7.77 There are several routes to home ownership or shared ownership for disabled people. While it is possible for some disabled people to get a standard mortgage, for many disabled people that is not possible, usually because of being in receipt of benefits.
- 7.78 The Home Ownership scheme for people with Long-term Disabilities (HOLD) is a Government backed scheme which assists long-term disabled people to buy a 25% to 75% share in a shared ownership property. To be eligible, households must have an income of £80,000 or under outside London and £90,000 or under in London and be first time buyer. Nevertheless, mortgages are available for disabled people who are reliant on benefits, often through a housing association working with My Safe Home mortgage advocates for people with disabilities. To be eligible, people need to be on the highest or middle rate of Disability Living Allowance (or Personal Independence Payment Enhanced or Standard Rate of Daily Living and in receipt of Employment Support Allowance (ESA) within the ESA 'support group', where the severity of the persons disability means they are not be able to take up any work now or in the future³⁶. However, a 5% or 10% deposit is required, about which the Peabody website says:

That money usually comes from one of three sources: savings that the individuals have themselves, inheritance or – like a lot of first-time-buyers that we’re working with at the moment – the Bank of Mum and Dad would put that deposit down.

³⁶ <https://www.peabodysales.co.uk/blog/shared-ownership/shared-ownership-for-disabled-homebuyers/>

- 7.79 It is clear then, that there are options for home ownership for disabled people who are reliant on benefits, but there are also hurdles for disabled people to overcome, notably raising a deposit.

Housing for Wheelchair Users

- 7.80 Building Regulations for M4(3) Category 3: Wheelchair user dwellings also states that reasonable provision should be made for people to gain access to and use the facilities of the dwelling and that:

“The provision made must be sufficient to-

(a) allow simple adaptation of the dwelling to meet the needs of occupants who use wheelchairs, or;

(b) to meet the needs of occupants who use wheelchairs.” (Page 23)

- 7.81 On this basis, in establishing the need for M4(3) Category 3 housing it is again important to consider the population projections and health demographics of the area, but with specific reference to households with wheelchair users.

- 7.82 The CLG guide to available disability data³⁷ referenced by PPG [ID 56-007-20150327] shows that around 1-in-30 households in England (3.3%) currently have at least one wheelchair user, although the rate is notably higher for households living in affordable housing (7.1%). The rates are also higher for older households. Figure 58 identifies the proportion of households in England with a wheelchair user currently living in market housing and affordable housing by age of household representative.

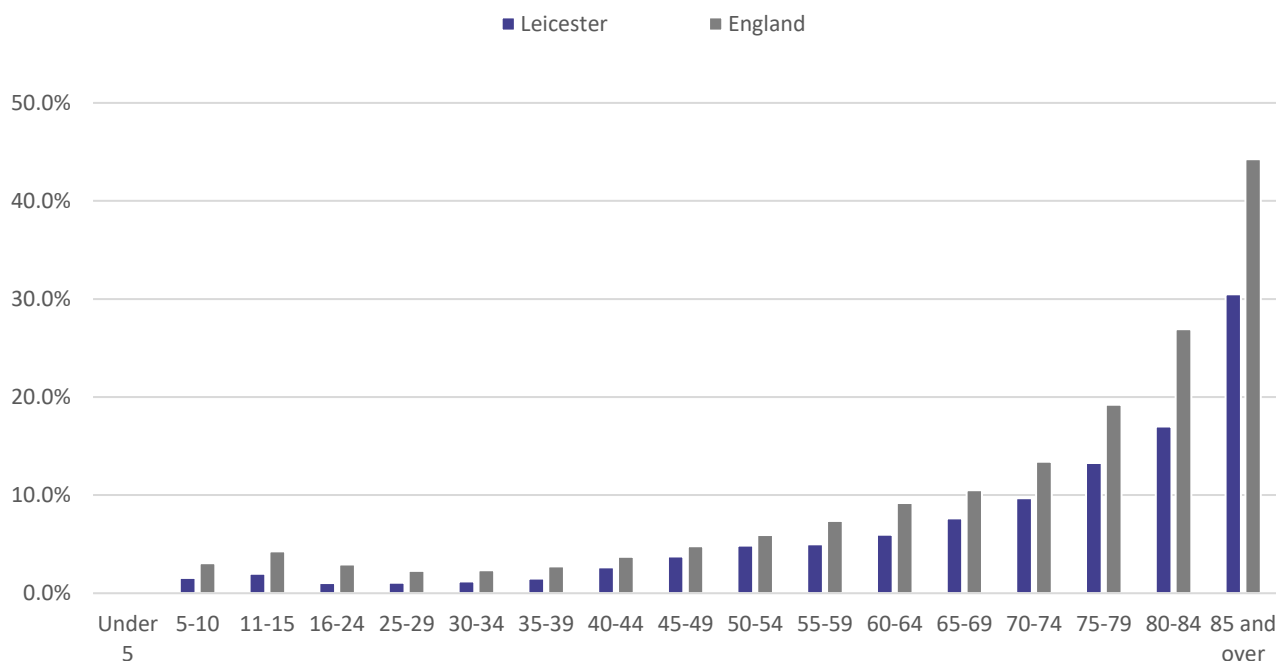
Figure 58: Percentage of households with a wheelchair user by type of housing and age of household representative
(Source: English Housing Survey 2013-14)

Housing Type	Age of Household Representative							
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
Housing type								
Market housing	< 0.1%	0.4%	1.0%	1.6%	3.0%	4.0%	6.1%	9.3%
Affordable housing	0.3%	2.0%	2.9%	6.0%	6.0%	10.3%	12.7%	19.9%

- 7.83 Figure 59 compares the proportion of disability benefit claimants in receipt of mobility award (the majority of whom will be wheelchair users) for Leicester against the figures for England.

³⁷ <https://www.gov.uk/government/publications/building-regulations-guide-to-available-disability-data>

Figure 59: Disability benefit claimants in receipt of mobility award by age (Source: DWP, May 2017)



7.84 Through combining the information on local rates with the national data, we can establish the proportion of households in Leicester likely to have a wheelchair user by the age of the household representative in market housing and affordable housing (Figure 60).

Figure 60: Percentage of households with a wheelchair user by type of housing and age of household representative

Housing Type	Age of Household Representative							
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
Leicester								
Market housing	< 0.1%	0.4%	0.9%	1.5%	2.8%	3.8%	5.4%	7.2%
Affordable housing	0.3%	1.9%	2.8%	5.8%	5.8%	9.8%	11.4%	15.7%

7.85 Figure 61 identifies the net change in the number of households with a wheelchair user over the period 2019 to 2036. It is evident that the number of households likely to need wheelchair adapted housing in Leicester is likely to increase by 1,500 over the 17-year period, equivalent to around 5.4% of the LHN figure.

Figure 61: Households needing Wheelchair Adapted Housing (Source: ORS Housing Model. Note: Figures may not sum due to arithmetic rounding)

Modelled Need for Wheelchair Adapted Housing	Households aged under 75			Households aged 75+			Overall change 2019-36	% of Housing Need
	2019	2036	Net change 2019-36	2019	2036	Net change 2019-36		
Market housing	1,230	1,490	+260	520	1,120	+600	+860	5.0%
Affordable housing	1,580	1,840	+260	520	900	+380	+640	5.2%
Total	2,810	3,330	+520	1,040	2,020	+980	+1,500	5.1%

7.86 **The evidence supports the need for a minimum target of 5.1% of all housing to meet M4(3) Category 3 requirements.** However, this is not inconsistent with the current policy of 10% because not all dwellings will delivery any properties to M4(3) Category 3 standards. Based on the earlier conclusion that around 37% of all new housing should be suitable for the needs of households with health problems or disabilities that affect

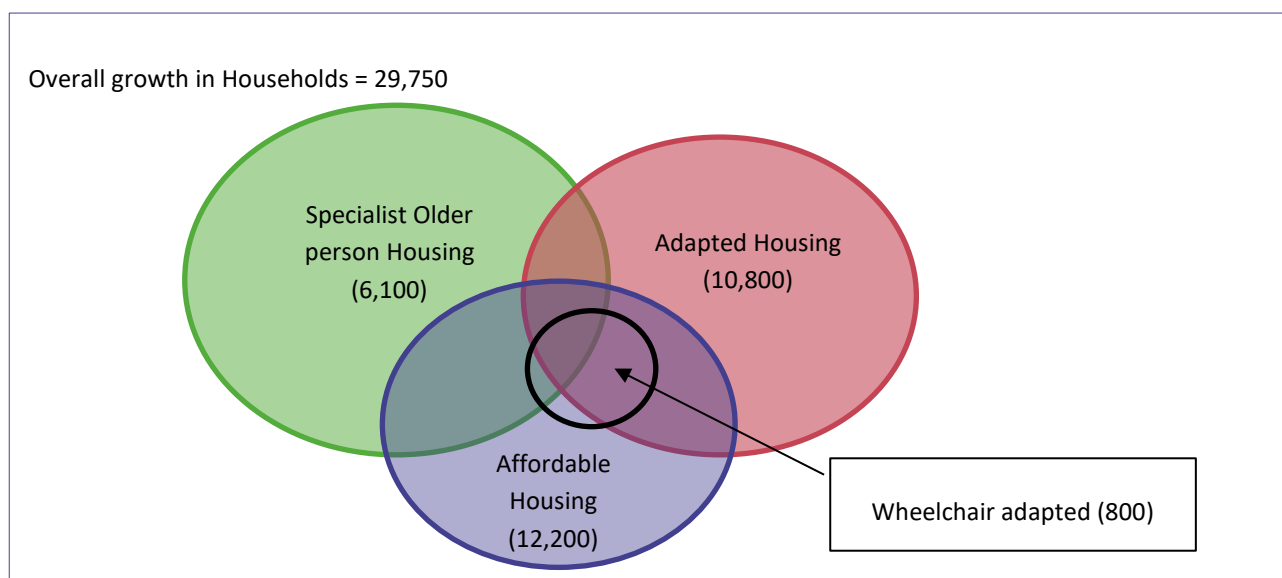
their housing requirement, we can therefore conclude that **the evidence also supports the need for a target of 32% of all housing to meet M4(2) Category 2 requirements**, which in turn will need a higher policy figure on the larger developments it applies to.

^{7.87} However, it is important to recognise that most of the identified growth in households with wheelchair users (980 households, equivalent to 65%) are aged 75 or over, and it is likely that many of these households would also be identified as needing specialist housing for older persons. The earlier analysis identified a need for around 6,098 specialist older person housing units for households aged 75 or over in Leicester. Whilst not all households needing wheelchair adapted housing will live in specialist older person housing, at any point in time it is likely that around a quarter of those living in specialist housing will need wheelchair adapted homes, and it is likely that some older households will start using a wheelchair whilst living in specialist housing if their health deteriorates. On this basis, it may be appropriate to adopt higher targets for specialist housing for older persons that is wheelchair accessible, and this could reduce the proportion of general needs housing that would need to meet the Category 3 requirements.

Summary of Housing Needs

- 7.88 The 29,500 dwellings minimum housing need calculated using the standard method is sufficient to cover all the projected household growth and needs of special groups discussed in earlier chapters using the ORS housing model. This consists of 29,100 additional households which should include an overlapping combination of 6,100 specialist older persons households, 10,800 adapted homes and 12,200 affordable homes.
- 7.89 As has been highlighted these specialist groups overlap with much of the adapted housing need falling amongst the over 75s and thus part of the older person housing need. Wheelchair adapted housing is a subset of the overall adapted housing figure and also has high levels of overlap with specialist older person housing.
- 7.90 Affordable housing is required within all sectors.

Figure 62: Venn Diagram of Housing Need



Essential Local Workers

- 7.91 Annex 2 of the Revised NPPF also includes the needs of essential local workers:

“Essential local workers: Public sector employees who provide frontline services in areas including health, education and community safety and can include NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers.”

- 7.92 This definition is very close to the definition of Key Workers which was used prior to the Original NPPF. Importantly, it is not going to be possible to be considered as an essential local worker in need without also being considered as being in need because you can't afford to own your own property.
- 7.93 Therefore, these households will already be counted in the affordable housing need because they cannot afford market rents, or because they wish to own their own property but cannot afford to do so. Because of this, the needs from this group will not add to the total need for affordable housing, but they are likely to require separate consideration on the housing register and it may be appropriate to consider whether or not some affordable properties should be set aside solely for essential local workers.

- 7.94 In Leicester, the difference in housing costs between the affordable and private sector is very large and the cost of renting a one-bedroom property is above the typical incomes of care workers and would represent a substantial share of a newly qualified nurse, police officer or fire officer's salary. Therefore, there is a potentially large need for housing for Essential Local Workers to ensure that they have the opportunity to reside, as well as work, in Leicester.

Gypsies and Travellers

- 7.95 Planning Policy for Traveller Sites (PPTS) came into force in March 2012 and was updated in August 2015. This document sets out the Government's policy for Gypsies and Travellers and represents the only household group not directly covered by the Revised NPPF. However, PPTS notes at paragraph 1 that:

This document sets out the Government's planning policy for traveller sites. It should be read in conjunction with the National Planning Policy Framework.

Planning Policy for Traveller Sites, paragraph 1

- 7.96 Paragraph 61 of the Revised NPPF states that:

Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes.

Revised National Planning Policy Framework, paragraph 61

- 7.97 The footnote to this section states that "Planning Policy for Traveller Sites sets out how travellers' housing needs should be assessed for those covered by the definition in Annex 1 of that document." This essentially sets out that the needs of Traveller households that meet the planning definition should be addressed under the PPTS, and that the needs of households that are not found to meet the planning definition should be addressed as part of the wider housing needs of an area.

- 7.98 Following the publication of the Revised NPPF and the Housing Delivery Test Measurement Rule Book in July 2018, the current position is that under the Housing Delivery Test, paragraph 10, the need for Travellers that meet the PPTS planning definition are not now included in the overall 5-year land supply.

Where applicable, the housing requirement for Gypsies and Travellers under the Planning Policy for Traveller Sites (PPTS) will be added to the housing requirement. Plan-making authorities should inform MHCLG of their housing requirement for Gypsies and Travellers under the PPTS through the annual Housing Delivery Test DELTA data collection.

Planning Policy for Traveller Sites, paragraph 10

7.99 However, PPG for the Housing needs of different groups (ID 67) states at paragraph 1 that:

The household projections that form the baseline of the standard method are inclusive of all households including travellers as defined in [Planning policy for traveller sites](#).

Planning Practice Guidance, ID: 67-001-20190722

7.100 There therefore appears to be a possible inconsistency between the statement that Gypsies and Travellers who meet the PPTS definition are included in the LHN (which forms the basis of the housing requirement) but that their specific needs should also be added to the housing requirement.

7.101 ORS produced the Leicester City Council Gypsy and Traveller Accommodation Assessment Addendum September 2019. This identified a need for at least 7 pitches by 2036 for households who meet the planning definition and at least 21 pitches for those who do not meet the definition.

8. Policy Implications

Identifying the need for different types of housing

Introduction

This chapter considers some of the policy implications from the findings earlier in this study.

The Private Rented Sector

- 8.1 While the private rented sector is unequivocally not affordable housing, in an area such as Leicester the private rented sector with housing benefit is the major source of accommodation for low income households and therefore, should be treated as a priority in the area. It is probably more important for Leicester to seek to improve conditions in its private rented sector than it is for it to deliver additional affordable housing, but these two issues should not be seen as being mutually exclusive.
- 8.2 The Government also sees the growth in the private rented sector as positive and is proposing new legislation which will create much more secure tenancies. The private rented sector offers a flexible form of tenure and meets a wide range of housing needs. The sector also has an important role to play given that many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. If there isn't sufficient private rented housing available at a price these households can afford, the need for affordable housing would be higher.
- 8.3 However, in Leicester the growth in the private rented sector has been high and this growth is frequently linked to a lack of investment and also a very high turnover of households which undermines the development of communities.
- 8.4 The point has been acknowledged by National Government policy which is focussed on improving the quality of both management and stock in the private rented sector, and local councils also have a range of enforcement powers.
- 8.5 Addressing this issue is complex and the selective licensing scheme being considered by the Council represents one of the few tools at their disposal. Experience elsewhere has shown that to be effective the scheme will need to be combined with significant enforcement action against non-compliant landlords, but offers the opportunity to improve the condition of some of the worst housing stock in Leicester. If landlords are not enforced against for letting poor quality properties there is a tendency for a race to the bottom which no landlord having an incentive to invest in their properties.
- 8.6 The Government also continues to encourage and support build-to-let investment³⁸. Homes England has several investment programmes to help bring schemes forward including a £1 billion Build to Rent Fund, which will provide equity finance for purpose-built private rented housing, alongside a £10 billion debt guarantee scheme to support the provision of these new homes. New supply of private rented housing therefore seems likely from various sources, despite current volumes being relatively low:

³⁸ <https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector#appendix-9-private-rented-sector>

- » **Registered Providers** are potential key players in the delivery of new PRS supply and recently several have begun to enter the market in significant scale³⁹, particularly in response to the Build to Rent Fund, although other institutional funding is also being sought. Overall, although interest is high, it remains unclear as to the scale of development which may deliver.
- » **Local Authorities** can also enable new PRS supply to come forward investing local authority land, providing financial support (such as loan guarantees), and joint ventures with housing associations, developers or private investors under the Localism Act. Whilst LA initiatives may contribute to new build PRS, these may take time to deliver significant numbers of units.
- » **Local Enterprise Partnerships** are another potential source of new build PRS homes⁴⁰. The Growing Places Fund provides £730m to support key infrastructure projects designed to unlock wider economic growth, create jobs and build houses in England. Any funding for housing, however, has to compete with other priorities e.g. skills and infrastructure. However, LEPs could potentially enable new PRS housing delivery and some attempts have been made in this regard to increase supply.
- » **Insurance companies** and **pension funds** have been expanding into property lending in recent years and are an increasing alternative to banks (especially schemes in London).

Welfare Reform

- 8.7 Since June 2010, the Government has introduced far reaching changes to the system of welfare benefits available to those on low incomes and/or with specific needs. However, most changes have only been gradually rolled out with for example the changes involving Universal Credit still to be fully implemented.
- 8.8 Data regarding the impact of the rolling implementation is still scarce; Government has published some data, although this is limited and remains inconsistent over time. Non-Government evidence is available usually in the form of small sample surveys or qualitative research carried out by campaigning organisations.
- 8.9 Welfare Reform was undertaken for various reasons including concerns over the cost of welfare benefits to the public purse, perceived issues that the current system is too complex and that the system acts as a disincentive to seeking work. As a result, new legislation was introduced (Welfare Reform Act 2012). Many of the changes affect the amount of Housing Benefit (HB) paid to private sector and social housing tenants.
- 8.10 CLG data shows that nationally, the number of households where no one works has fallen by more than 600,000 since 2010.⁴¹ The Government attributes this fall to the Reforms it has introduced.

Who is affected?

- 8.11 Any change to the welfare system carries risks for households on low incomes. While many different types of households are affected, some groups stand out:
- » **Households in receipt of Housing Benefit:** As at May 2014 there were 4,985,741 HB claimants of which 33% were in private rented housing and 67% in social housing.⁴² This includes working households as well as those who are not such as job-seekers, low-income pensioners, long term sick

1.1 ³⁹ <http://www.insidehousing.co.uk/business/development/transactions/lq-to-launch-prs-subsiary/7009701.article>

⁴⁰ <https://www.gov.uk/government/publications/growing-places-fund-prospectus>

⁴¹ <https://www.gov.uk/government/news/600000-fewer-workless-households-since-2010-workless-households-now-lowest-in-a-decade>

1.2 ⁴² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343050/HB_Summary_-_May14.xls

and disabled people and full-time unpaid carers. Early analyses from the National Housing Federation (NHF) and others suggest that families with three children will be affected, and in some areas families with two children.

- » **Young households:** the removal of HB for 18-21 year olds, a lower rate for LHA and the extension of the Shared Accommodation Rate of LHA⁴³ to those aged up to 35, and the increase in Non-Dependant Deductions from HB payments, all interact to put younger households under pressure from reform. In addition, multi-generational households could expand as younger family members are unable to form their own households.
- » **Older people** have to some extent been protected from the effects of Welfare Reform; the Benefit cap and Spare Room Subsidy do not apply to those of pension age.

Private Rented Tenants - Local Housing Allowance (LHA)

- 8.12 Private tenants have been subjected to a range of changes including many of which could have knock on impacts of the need for affordable housing.

Absolute Caps on Maximum rates Payable for Each Size of Property

- 8.13 These caps restricted payments for larger properties so that all properties with four or more bedrooms were paid at the same rate. Deductions for non-dependants living with claimants were also increased.
- 8.14 Arguably this change has led to increased overcrowding in the PRS; households with large families are either unable to afford a property which meets their needs, or have to move to a cheaper area.

Calculation of Local Housing Allowance (LHA)

- 8.15 LHA is calculated with reference to market rents in the local area; pre-reform the maximum payable for each size of property was the median of local rents. The reforms introduced two changes: first, claimants were no longer able to claim up to £15 above their actual rent if below the LHA rate and, second, the methodology for setting LHA was changed to the 30th percentile of local rents ('The amount of LHA you are eligible for depends on where you live. Local limits are based on the cheapest 30% of properties in an area').⁴⁴
- 8.16 Impact: As well as reducing the income of some households, the change to the calculation of LHA made some areas unaffordable to LHA claimants (e.g. In London, Shelter estimate by 2016 only 36% of neighbourhoods will be affordable to LHA claimants, mainly in the outer London Boroughs.)⁴⁵
- 8.17 From April 2013 the annual increase in LHA rates was divorced from local market rents and linked to the Consumer Price Index. From April 2014 the increase was limited to 1%, except in certain high rent areas.
- 8.18 Impact: this change is likely to have a further impact on the affordability of certain areas to those claiming LHA. There is also some lobby group and qualitative evidence from interviews for other studies that households are already moving to areas where LHA levels help them to match their accommodation needs.

⁴³ The shared accommodation rate (SAR) applies to most single people under 35 renting from a private landlord. With the shared accommodation rate, the maximum housing benefit you can get is the rate for renting a single room in a shared house. This applies even if you rent a self-contained flat. There are some exceptions – see: http://england.shelter.org.uk/get_advice/housing_benefit_and_local_housing_allowance/what_is_housing_benefit/housing_benefit_if_you_are_under_35

⁴⁴ http://england.shelter.org.uk/get_advice/housing_benefit_and_local_housing_allowance/what_is_housing_benefit/local_housing_allowance

⁴⁵ For a more local example, see <http://atlas.cambridgeshire.gov.uk/Housing/LHA/atlas.html>.

Single Sharers Under 35

- 8.19 From January 2012, single claimants aged under 35 had their LHA restricted to the Shared Accommodation Rate; commentators argue that this makes it unlikely that claimants will be able to afford self-contained accommodation.
- 8.20 Impact: arguably the change has led to an increase in the conversion of family dwellings to homes in multiple occupation.

Ending of Direct Payments to Landlords

- 8.21 A further significant change in the payment of LHA is the ending of direct payment to landlords, making tenants responsible for budgeting for their rent payments.
- 8.22 There is evidence that increasing numbers of private sector landlords are no longer willing to rent to Housing Benefit recipients⁴⁶:

'...in the last three years there has been a 50% drop in the number of landlords taking people who are on benefits. It is now down to only one fifth; 22% of our landlord members whom we surveyed say they have LHA tenants, and 52% of those surveyed said they would not look at taking on benefits tenants' (NLA Evidence to DWP Select Committee March 2014)

Social Housing Tenants – Housing Benefit

- 8.23 Social housing tenants have also been subject to a number of changes including:

Spare Room Subsidy

- 8.24 One reform issue which has had Parliamentary scrutiny is the Spare Room Subsidy or 'Bedroom Tax.'⁴⁷ Simply, tenants renting a social or affordable tenancy, whose accommodation is larger than they need, may lose part of their Housing Benefit. A DWP Select Committee Report (2014)⁴⁸ highlighted data on the impact of Spare Room Subsidy across the UK. It showed that 2.1% of households in the East of England were affected (Central Norfolk is considered later in this chapter):
- 8.25 In the first six months of Spare Room Subsidy the Committee noted:
- » 6% of affected households moved to avoid the new rule;
 - » However, a shortage of housing prevents moves in many areas;
 - » 22% of those still affected were still registered for a transfer;
 - » Most affected households have not moved, and of these about half have rent arrears as a result.
- 8.26 In addition:
- » Many Councils are making full use of Discretionary Housing Payments (DHPs) to help tenants adjust to the change, but practice varies (discussed below);
 - » There are concerns whether current DHP provisions are appropriate for disabled tenants living in adapted homes;

⁴⁶ National Landlords evidence to DWP Select Committee (March 2014)

⁴⁷ <https://www.gov.uk/government/collections/local-authorities-removal-of-the-spare-room-subsidy>

⁴⁸ <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/720/72002.htm>

- » Landlords have incurred extra costs for rent arrears, welfare support, rent collection, arrears management and repairs linked to more transfers.

Welfare Reform: Summary

- 8.27 The changes to the welfare system since 2010 have seen reduced funding available for households to meet their housing needs in both the private and social rented sectors and in some cases have seen the complete withdrawal of funding to younger households. The consequences of these changes are complex, but have made it more difficult for households to meet their housing needs in the private rented sector as available funding does not match local rents in more expensive areas. This in turn has placed greater pressure on areas such as Leicester with little that the Council could do to prevent this outcome.
- 8.28 Welfare Reform has also made it more difficult for many social renters to maintain their tenancies if they are under-occupying their dwellings. Data from sources such as the English Housing Survey have shown a steady decline in the level of under-occupation in the social rented sector.
- 8.29 Overall, welfare reform has placed more pressure upon the social housing sector by restricting the opportunities for households to meet their needs in the private rented sector. It has also placed greater pressure on areas such as Leicester because the households have been priced out of the private rented sector in more expensive areas.

Affordable Housing Delivery

- 8.30 Given the overall level of affordable housing need identified in Chapter 5 of this study, it will be important to maximise the amount of affordable housing that can be delivered through market housing led developments and also through the Council's own delivery programme.
- 8.31 If the Council is seeking to maximise the amount of affordable housing that they provide, the key to this is the economic viability of developments, as this will inevitably determine (and limit) the amount of affordable housing that schemes can deliver.
- 8.32 As part of their strategic planning and housing enabling functions, Leicester will need to consider the most appropriate affordable housing target in order to provide as much affordable housing as possible without compromising overall housing delivery. This target should provide certainty to market housing developers about the level of affordable housing that will be required on schemes, and the Council should ensure that this target is achieved wherever possible in order to increase the effective rate of affordable housing delivery.
- 8.33 It will be a policy decision as to how much of the additional need for affordable housing is provided in the form of Affordable Rent (or Social Rent) and how much is provided in the form of shared ownership and other affordable to own housing products such as First Homes. The results set out in Figure 46 would represent a 70:30 split between affordable housing to rent and affordable housing with an ownership element.
- 8.34 The contribution towards affordable housing delivery that can be achieved through market housing led developments shouldn't be considered in isolation. The Government has launched a series of new initiatives to attempt to boost the supply of homes, including affordable homes. The key Homes England investment programmes apart from the Garden Town programme include:
- » **Affordable Homes Programme:** the flagship Home England 2018-22 investment programme(s) for new affordable homes which ends in 2022. A new Shared Ownership & Affordable Homes

Programme 2016-21 was launched in April 2016 which will reflect the Housing and Planning Act 2016;

- » **Affordable Homes Guarantees Programme:** guaranteeing up to £10bn of housing providers' debt in order to bring schemes forward;
- » **Care and Support Specialised Housing Fund:** first round funding used to accelerate the development of the specialised housing market such as Older People and those with disabilities;
- » **Community Right to Build:** (Outside London) including some provision for affordable homes;
- » **Empty Homes Programme** (now subsumed into the Affordable Homes Programme);
- » **Estate Regeneration Programme:** often creating mixed tenure communities;
- » **Get Britain Building:** aiming to unlock locally-backed stalled sites holding planning permission and including affordable homes;
- » **Housing Revenue Account:** borrowing launched in June 2018, with £0.5 billion for areas outside of London.

^{8.35} There have also been a range of changes recently introduced by the government. These include:

- » **Housing Revenue Account:** In 2018 the government announced that the cap on borrowing against the housing revenue account would be relaxed. This provides stock owning councils such as Leicester with the opportunity to directly build their own council homes;
- » **Build to rent:** The NPPF 2018 introduced this tenure as being part of the affordable housing supply. This allows housing developers and also potentially bodies such as insurance companies and pension funds to directly invest in affordable housing;
- » **Community-led affordable housing:** A £6 million fund to local groups across England expected to supply over 5,000 homes in the next 5 years.

^{8.36} However, there are currently a number of constraints that are affecting the delivery of new affordable housing; although there is also a range of other initiatives that may help increase delivery in future.

Constraints affecting the delivery of new affordable housing	Other initiatives potentially increasing the delivery of new affordable housing
<p>Welfare reform Most stakeholders (including private landlords, house builders, local authorities and RPs) are concerned at the impact of benefit reform and the risk to their revenue. Credit rating agencies have also signalled concerns.</p> <p>Rent formula reform The change to rent increase formula for Registered Providers has constrained capacity for new affordable developments.</p> <p>Registered Providers Many RPs have become more risk averse in their approach to developing new homes in the light of grant rate reductions for affordable homes and the absence of grant post the 2015-18 HCA investment programme.</p> <p>Stock rationalisation by Registered Providers The new regulatory framework for RPs continues the emphasis on economic regulation. This could, potentially, reduce current supply of affordable housing. Already, sector trends indicate</p>	<p>First Homes The Government has signalled its support for Home Ownership in general, and First Homes in particular. A planned broadening of the affordable housing definition to include First Homes may lead to an increase in affordable housing delivery if First Homes are also counted.</p> <p>Councils building more new homes Many Councils are now trying to bring new rental schemes forward following reform of the HRA system.</p> <p>New 'for profit' providers Over 30 'for profit' providers to deliver AHP homes have so far registered with Home England to help deliver Build to Rent, mainly in order to deliver non-grant affordable housing. There is arguably potential for increased supply of affordable homes for rent by 'for profit' providers.</p> <p>Co-operative Housing Given current delivery constraints, co-operative housing has been identified as a further alternative supply for households</p>

many associations are identifying under-performing stock with a view to rationalisation.

Extension of Right to Buy (RTB) to Registered Providers

The Government pledge to introduce an RTB for RP tenants mean many associations will need to assess the risk to their Business Plans and this might also reduce appetite for new development.

Starter Homes

Including Starter Homes in the affordable housing definition may lead to fewer affordable homes for rent being developed.

Access to Land and Sites

A lack of land available to registered providers can limited their ability to take up the funding opportunities

unable to access ownership or affordable housing. The Confederation of Co-operative Housing, working with RPs, is currently trying to bring schemes forward. The HCA has held back funding for Co-operative Housing in the previous AHP.

Older Persons Housing

- 8.37 Leicester's population is ageing. The Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. Therefore, despite the ageing population, current policy means that the number of care homes and nursing homes may actually decline, as people are supported to continue living in their own homes for longer.
- 8.38 Survey indicate that most households wish to remain in their own home for as long as possible. This in turn requires many households to receive assistance with care costs and adaptations through Disabled Facilities Grants. However, there also needs to be a recognition that many dwellings are not convertible for the use of older persons and some people will still require dedicated older person housing.
- 8.39 More generally, it is important that policies for specialist older person housing are considered in partnership with other agencies, in particular those responsible for older person support needs.

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Appendix B

Glossary of Terms

Definitions

Affordability is a measure of whether housing may be afforded by certain groups of households.

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. For the purpose of this report we have used the definition in the Revised NPPF, which specifies the main categories of affordable housing to be: affordable housing for rent; starter homes; discounted market sales housing (sold at a discount of at least 20% below market value); shared ownership, relevant equity loans, other low cost homes for sale and rent to buy

Category 2 and 3 are classifications of wheelchair accessible housing. They refer to building regulations Approved Document M (2015) which introduced three categories of accessible dwellings. Category 1 (visitable dwellings) relates to accessibility of all properties and, being mandatory, is not assessed in the LHNA. Category 2 (accessible and adaptable dwellings) is optional and similar to Lifetime Homes. Category 3 (wheelchair user dwellings) is optional and equivalent to wheelchair accessible standard.

Census Output Area is the smallest area for which UK Census of Population statistics are produced. Each Census Output Area had a population of around 250 people with around 100 dwellings at the time of the 2001 Census.

Concealed families are defined as; *“family units or single adults living within other households, who may be regarded as potential separate households which may wish to form given appropriate opportunity”*⁴⁹.

ECO underpins the Green Deal and places obligations on energy companies to facilitate installation of energy efficiency measures in homes. ECO fits within the Green Deal framework where Green Deal finance alone is not enough.

Equity is the difference between the selling price of a house and the value of the outstanding mortgage.

Green Deal is a market led framework that will allow individuals and businesses to make energy efficiency improvements to their buildings at no upfront cost. Finance needed for the improvements is repaid, in instalments, attached to an electricity bill.

Headship rates are defined by CLG as: *“the proportion of people in each age group and household type who are the ‘head’ of a household”*⁵⁰

A household is one person living alone, or two or more people living together at the same address who share at least one meal a day together or who share a living room.

⁴⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf

⁵⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/182417/MethodologyFinalDraft.pdf

Household formation refers to the process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households that form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year that did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs). 'Net' household formation is the net growth in households resulting from new households forming less the number of existing households dissolving (e.g. through death or joining up with other households).

A Housing Association or Registered Provider is an independent not-for-profit body that primarily provides low-cost "social or affordable housing" for people in housing need.

The Housing Delivery Test is an annual measurement of housing delivery in the area of relevant plan-making authorities (non-metropolitan districts, metropolitan boroughs, London boroughs and development corporations with plan-making and decision-making powers). It is published annually in November by MHCLG.

The Housing Delivery Test Measurement Rule Book sets out how to measure housing delivery in accordance with the Housing Delivery Test.

Housing demand is the quantity of housing that households are willing and able to buy or rent.

Household income includes all salaries, benefits and pensions, before deductions such as tax and National Insurance.

House in Multiple Occupation are currently defined by the Housing Act 2004 as:

- » an entire house or flat which is let to three or more tenants who form two or more households and who share a kitchen, bathroom or toilet;
- » a house which has been converted entirely into bedsits or other non-self-contained accommodation and which is let to three or more tenants who form two or more households and who share kitchen, bathroom or toilet facilities;
- » a converted house which contains one or more flats which are not wholly self-contained (i.e. the flat does not contain within it a kitchen, bathroom and toilet) and which is occupied by three or more tenants who form two or more households; and
- » a building which is converted entirely into self-contained flats if the conversion did not meet the standards of the 1991 Building Regulations and more than one-third of the flats are let on short-term tenancies.

Housing market areas are geographical areas in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay.

Housing need is the quantity of housing required for households who are unable to access suitable housing without financial assistance.

Housing requirements encompasses both housing demand and housing need, and is therefore the quantity of housing necessary for all households to have access to suitable housing, irrespective of their ability to pay.

Housing type refers to the type of dwelling, for example, flat, house, specialist accommodation.

Intermediate affordable housing is housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria for affordable housing set out above. These include shared equity products (e.g. HomeBuy), other low cost home ownership products and intermediate rent.

Lending multiplier is the number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are 3.5 times income for a one-income household and 2.9 times total income for dual income households.

Low cost home ownership or **Shared ownership** is intermediate affordable housing designed to help people who wish to buy their own home, but cannot afford to buy outright (with a mortgage). Through this type of scheme you buy a share in the property with a Housing Association or other organisation.

Lower quartile means the value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one-quarter of the way up the ranking from the cheapest to the most expensive.

Lower Super Output Area is a group of around 5-6 Census Output Areas and is the smallest geography for many Government statistics. Each Lower Super Output Area had a population of around 1,250 people with around 500 dwellings at the time of the 2001 Census.

Market housing is private housing for rent or for sale, where the price is set in the open market.

Market signals are indicators that supply and demand are not in balance for a local housing market. Possible market signals are listed in PPG and the following are the most pertinent; house prices, private sector rents, affordability, rate of development and overcrowding.

Migration is the movement of people between geographical areas. In this context it could be either local authority districts, or wider housing market areas. The rate of migration is usually measured as an annual number of individuals, living in the defined area at a point in time, who were not resident there one year earlier. Gross migration refers to the number of individuals moving into or out of the authority. Net migration is the difference between gross in-migration and gross out-migration.

Persons per household (PPH) is the number of adults in each household and is usually an average. The **Housing Delivery Test Measurement Rulebook** (July 2018) uses the national average of 1.8.

A projection of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

Registered Social Landlord/Registered Provider see Housing Association.

Secondary data is existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

Shared ownership see Low Cost Home Ownership.

Social rented housing is provided by social landlords and rented for less than would be paid if renting privately.

Specialised housing refers to specially designed housing (such as mobility or wheelchair accommodation, hostels or group homes) or housing specifically designated for particular groups (such as retirement housing).

Acronyms and Initials

BRMA	Broad Rental Market Area
CLG	Department for Communities and Local Government (now MHCLG)
DWP	Department of Work and Pensions
LA	Local Authority
LHA	Local Housing Allowance
LHN	Local Housing Need
LHNA	Local Housing Needs Assessment
MHCLG	Ministry for Housing, Communities and Local Government
NPPF	National Planning Policy Framework
ONS	Office for National Statistics
ORS	Opinion Research Services
PPG	Planning Practice Guidance
RSL	Registered Social Landlord
SHMA	Strategic Housing Market Assessment