

Chapter 6 - Housing

Introduction

- 6.1 This chapter presents key information relating to the supply, demand and affordability of housing in the Leicester and Leicestershire Housing Market Area¹ (HMA). It seeks to identify whether the HMA has the right mix of housing in the right locations to support the anticipated economic, employment and population growth. The chapter also considers the changing pattern of housing needs through to 2026.
- 6.2 Whilst this updated chapter takes into account some of the impact of the Coalition Government created in May 2010, at the time of writing there remains considerable uncertainty surrounding housing and planning reforms posed by the Government. Whilst reforms have been announced, the full implications of the measures are still not completely understood and can not therefore be fully dealt with within this chapter. Subsequent refreshes of the Economic Assessment will take account of key events and changes since the publication of this version (circa May 2011). The sub-region is also in a period of flux following the Coalition Government significantly reducing public funding, significant housing and planning reform and its Localism Bill including:
- Abolition of Regional Development Agencies, to be replaced by Local Enterprise Partnerships. On October 2010 Leicester and Leicestershire was announced as one of 24 original Local Enterprise Partnerships nationally.
 - Intention to revoke regional spatial strategies (RSS) in support of their localism agenda, and the removal of top down targets.
- 6.3 These changes have notably changed the environmental context for the chapter since its original drafting, but of particular importance for the chapter is the intended abolition of the RSSs. This action will eventually remove set targets for the numbers of housing the HMA will need to provide over the next two decades and which the HMA will need to determine through evidence itself. At the time of writing, the East Midlands' RSS remains in place and this chapter refers to it. Therefore any future reference to this chapter should bear in mind the current fluid nature of the existing context for housing and any subsequent changes.
- 6.4 The Coalition Government's White Paper; 'Local growth: realising every place's potential' published 28 October 2010, is clear about the key role that housing plays in the economy and in supporting economic growth. The White Paper identifies that housing is an important source of economic

¹ The Leicester and Leicestershire HMA comprises Leicester City and Leicestershire County, the same boundaries as for the LEP area.

growth in terms of housing construction and the extensive supply chain associated with this industry. The house building industry has been severely affected by the recession. In England, house building is at its lowest level in peace-time since 1923-24 and there remains a significant shortage of new housing as a result. It is clear that the house building sector has significant potential to grow and in doing so will make an important contribution to the economy.

6.5 The White Paper also confirms the role of housing as an important foundation to maximising an area's economic performance. It is essential to attract and house an efficient labour market itself critical to economic growth.

6.6 It is therefore important that the right housing conditions to support growth prevail. Housing is, however, a very complex topic with a multitude of factors having an influence on it. The housing market interplays with travel to work areas, is affected by migration patterns, lifestyle and demographic trends along with other economic factors and practical or personal choices.

6.7 As a result of this complexity, to ensure that the housing offer does not act as a constraint to economic growth, it is desirable to achieve a stable and functional housing market characterised by:

- Steady delivery of new homes in sustainable locations in cities and town centres, in rural areas and in the suburbs.
- Availability of sufficient affordable housing with an appropriate range of house type, and size in rural and urban areas.
- High quality and well designed housing and communities in which people want to live.
- Steady house price inflation broadly in line with overall national inflation, and maintaining *average* house prices at a broadly similar multiplier of average incomes – about 3 to 4 times over the longer period.
- More mixed neighbourhoods by income, ethnicity, socio-economic classification and age so that polarisation is reduced.
- Good quality housing and communities, minimal empty properties and homes that meet decent homes standards.
- An appropriate supply of homes to retain and attract people with the skills required by organisations located in Leicester and Leicestershire.

6.8 Sufficient supply of good quality housing at affordable prices right across the HMA is therefore essential to allow housing to fulfil its role as an enabler of economic growth and thus provide the right conditions for the economic growth of the sub-region generally.

6.9 The chapter covers the following topics:

- Housing stock comprising size, type, tenure, age, quality, empty properties, and occupation.
- Housing affordability and affordable housing including prices and income, affordability issues, housing stress, and viability.
- Planned housing growth.
- Land for housing.
- Housing reform.

Current Housing Stock

6.10 The total dwelling stock in March 2010 is estimated at nearly 400,000. The next section examines the key facets of the housing stock in Leicester and Leicestershire that potentially have the ability to positively or negatively impact upon the economic growth of the sub-region.

6.11 A more detailed and comprehensive assessment of the housing market is contained in the Strategic Housing Market Assessment for Leicester and Leicestershire (SHMA) carried out in 2007/8 by B.Line Housing Information et al.² The 'Managing and Updating of Data Project', November 2010³ addressed the need to keep information up to date. Much of the information contained within this section is provided in more detail in the SHMA and in sources providing updated information, for instance the hi4em website.⁴

Property size

6.12 In Leicestershire, three bedroom properties are by far the most prevalent property size. They form more than half of the housing stock in each local authority district, with the exception of Harborough district, where they make up 43% of housing stock. Properties with four or more bedrooms form just 8% of Leicester City's housing stock and 18.5% of Leicestershire's, rising to 28% in Harborough district.

6.13 Leicester has a significantly larger proportion of one bed properties than is the case for the sub-region as a whole, which is in keeping with a stock profile which comprises a significant number of flats/apartments.

6.14 The Leicester & Leicestershire HMA has a smaller percentage of two bedroom properties than is the case nationally (Britain), but a larger proportion of three bedroom properties.

² http://www.blinehousing.info/Leicester_SHMA.htm or <http://tinyurl.com/yzpr33>

³ http://www.blinehousing.info/LeicsDataProject/Data_and_information_web_links.htm

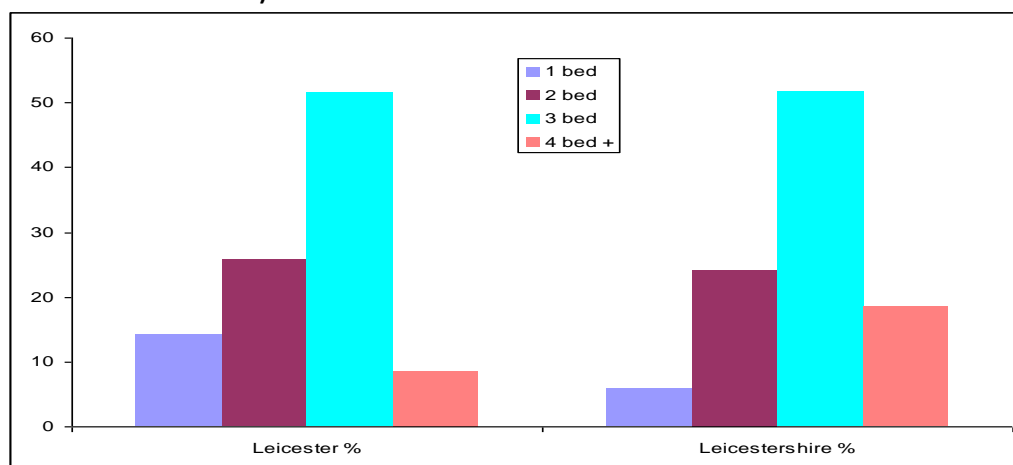
⁴ hi4em.co.uk Leicestershire Share Point pages contain much local information for use by partners in housing

Table 6.1 Percentage of Properties by Size (Number of Bedrooms)

No. of beds	Britain*	HMA	Leicester-shire	Leicester	Blaby	Charn-wood	Harbor-ough	Hinckley & Bosworth	Melton	North West Leics	Oadby & Wigston
1 bed	10.3	8.4	5.8	14	4.3	8.0	5.0	5.4	5.8	5.3	4.5
2 bed	31.1	24.7	24.1	26	20.4	25.2	23.2	27.9	22.4	23.4	23.9
3 bed	41.9	51.6	51.6	52	58.2	50.8	43.5	50.6	52.6	52.8	54.4
4 bed +	16.7	15.3	18.5	8	17.1	16.0	28.3	16.1	19.3	18.5	17.2

Valuation Office 2010, except *CACI 2011

Figure 6.1 Leicester and Leicestershire Percentage of Properties by Size (Number of Bedrooms)



Source: Valuation office 2010

Property Types

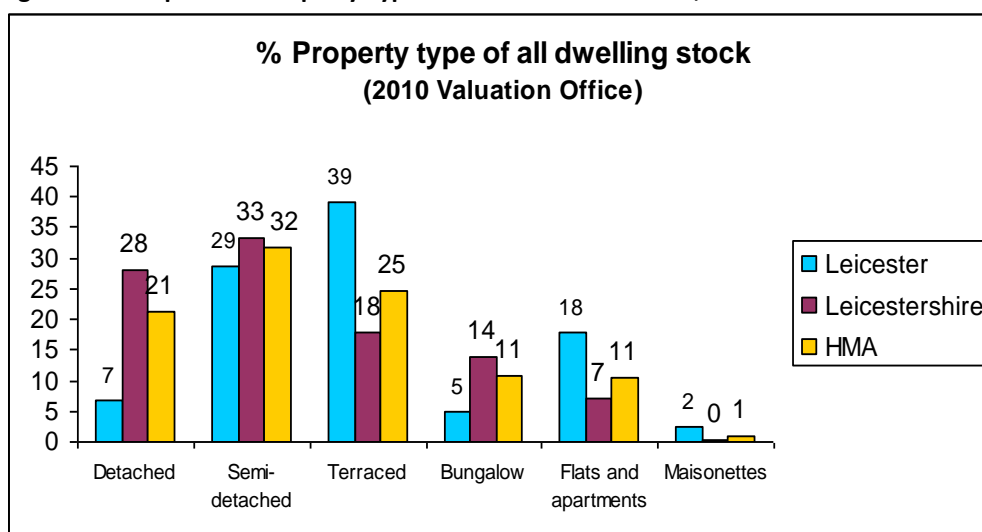
- 6.15 Table 6.2 shows that Leicester City has high proportions of terraced housing (39.1%) and flat/apartment housing stock (18%) compared to the County, and demonstrably lacks detached properties (6.8%) compared to 27.9% in the County. Harborough District has the largest proportion of detached houses at almost 40%. However, semi-detached properties account for the largest proportion of the HMA's housing stock (31.8%). The higher densities evident in Leicester City reflect the nature of the City as the principal urban area of the sub-region. The greater proportion of flats/departments also partially reflects the focus on density which was part of the recently updated Planning Policy Statement 3.

Table 6.2 Property Types (%)

PROPERTY TYPE	HMA	Leicester-shire	Leicester	Blaby	Charn-wood	Harbor-ough	Hinckley & Bosworth	Melton	North West Leics	Oadby & Wigston
Detached	21.3	27.9	6.8	27.5	22.5	39.4	27.5	30.5	29.5	23.1
Semi-detached	31.8	33.2	28.8	42.3	32.7	23.7	32.5	32.1	31.1	39.4
Terraced	24.6	17.8	39.1	11.1	22.2	16.5	17.1	17.6	19.9	16.5
Bungalow	10.9	13.7	4.8	13.6	12.7	14.4	15.5	12.8	13.5	13.8
Flats and apartments	10.6	7.1	18.0	5.4	9.7	5.9	7.2	6.5	5.8	6.6
Maisonettes	0.9	0.2	2.3	0.1	0.2	0.2	0.1	0.4	0.1	0.6

Valuation office, 2010

Figure 6.2 Comparative Property Type Breakdown for Leicester, Leicestershire and the HMA



Property Tenure

6.16 The total dwelling stock in March 2010 is estimated at nearly 400,000, of which about 85% is in private ownership (owner occupied or privately rented). The dwelling stock of about 275,000 in Leicestershire County is 83% owner occupied and 6% privately rented. At least three quarters of domestic housing stock in each Leicestershire district is owner occupied, compared with 56% in Leicester. Leicester’s share of social (26%) and private (74%) housing is not unusual for a city. The split is similar to that seen in Leicester’s CIPFA⁵ comparator authorities.

Table 6.3 Property Tenure

(Using a combination of Housing Strategy Statistical Appendix, Experian and TSA data)

	All private*	All social rented	All LA*	All RSL**	All owner occupied^^	All private rented^^	All dwellings*
Leicester & Leicestershire	85%	15%	39,200	22,600	297,500	39,900	399,300
Leicester	74%	26%	22,300	10,700	70,800	22,400	126,200
Leicestershire	89%	11%	16,900	12,000	226,600	17,500	273,100
Blaby	93%	7%	0	2,900	34,100	1,600	38,600
Charnwood	88%	12%	5,800	2,300	53,100	7,000	68,300
Harborough	92%	8%	0	2,800	31,300	1,500	35,500
Hinckley & Bosworth	89%	11%	3,400	1,600	38,700	2,500	46,200
Melton	89%	11%	1,900	500	18,000	1,400	21,900
North West Leicestershire	85%	15%	4,500	1,400	31,700	2,500	40,000
Oadby & Wigston	92%	8%	1,300	500	19,700	1,100	22,600
England	82%	18%					

⁵ CIPFA – Chartered Institute of Public Finance and Accountancy. CIPFA has identified comparator authorities based on statistical characteristics.

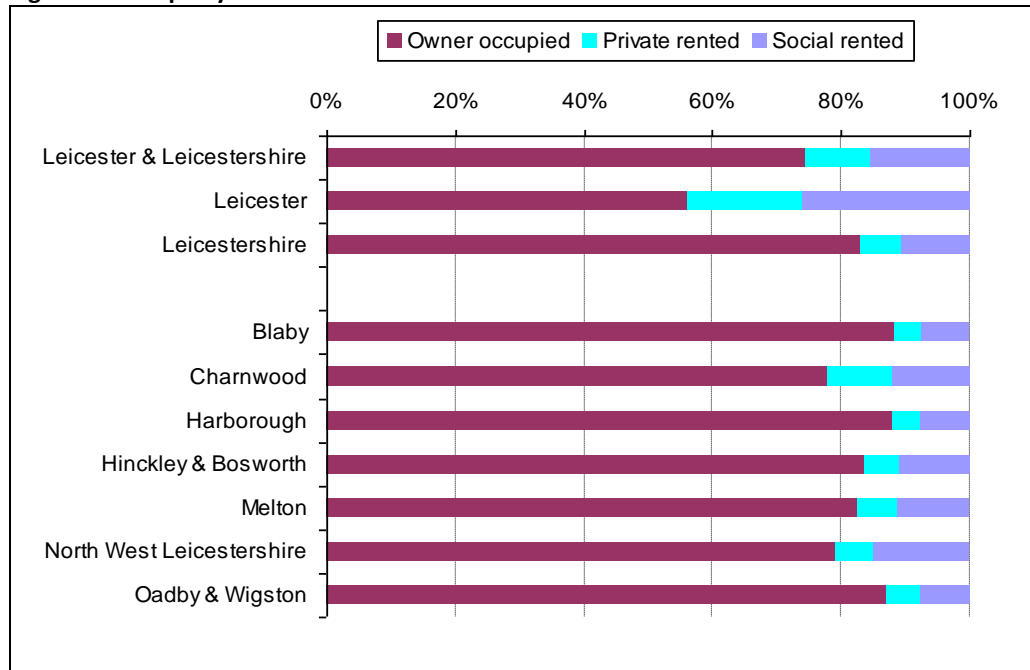
* HSSA return March 2010

**RSR return - March 2010 - Tenants Services Authority (TSA)

^ All dwellings as recorded by HSSA 2010 minus social rented as calculated above

^^ All private dwellings split into owner occupied and private rented by proportion in 2009 Experian data

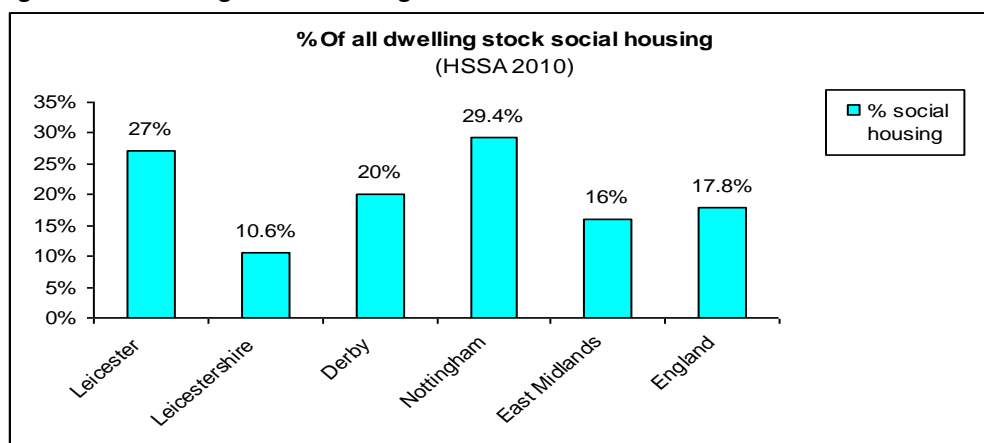
Figure 6.3 Property Tenure



Social Rented Housing

6.17 Leicester has a substantial proportion of its domestic dwellings which are social housing (local authority and housing association) at 26%, compared with only 15% for the HMA as a whole, and 8% or less in Blaby, Harborough and Oadby & Wigston districts. This is primarily a product of its relatively large council housing stock. Figure 6.4 shows that the proportion of social housing stock in Leicester is similar to that seen in Nottingham and a little higher than that seen in Derby.

Figure 6.4 Percentage Social Housing



The Private Rented Sector

- 6.18 There has been a significant expansion of the private rented sector in Leicester since 1991. The 2001 census found that the percentage of private rented housing in Leicester had increased from 8.4% in 1991 to 12% of all housing. The private rented sector was relatively small in Leicestershire in 2001. More recent evidence on this sector is limited, but both the purchase and rental markets have been affected by the increased popularity of ‘buy to let’ in the last 10 years, with a 20-fold increase nationally.
- 6.19 Estimates provided by Experian suggest that this sector is still expanding and currently stands at 18% of the stock (over 22,000) in Leicester. Charnwood has also experienced an increase in its private rented sector since 2001, but to a much lesser extent (7.5% in 2001 to 10% in 2010).
- 6.20 Private renting is often associated with highly mobile and young households, and with housing markets located close to universities. The information available in relation to the impact of the student population on the housing market is limited. It is possible to draw partial or anecdotal conclusions from existing evidence, but further research would be useful in providing a better understanding of the impacts of students on the local economy, both in relation to housing and from a wider economic perspective.

Age of Dwelling Stock

- 6.21 Table 6.4 and figure 6.5 show that the largest proportion of Leicestershire’s dwelling stock was built between 1965 and 1982. Leicester City has the oldest dwelling stock in the HMA with just over half its homes built before 1944. In terms of Leicester’s private sector stock, 34.9% was built prior to 1919⁶, compared to just 24.6% of the national private sector stock. Harborough District has the newest dwelling stock with 32.6% of its domestic buildings built since 1983.

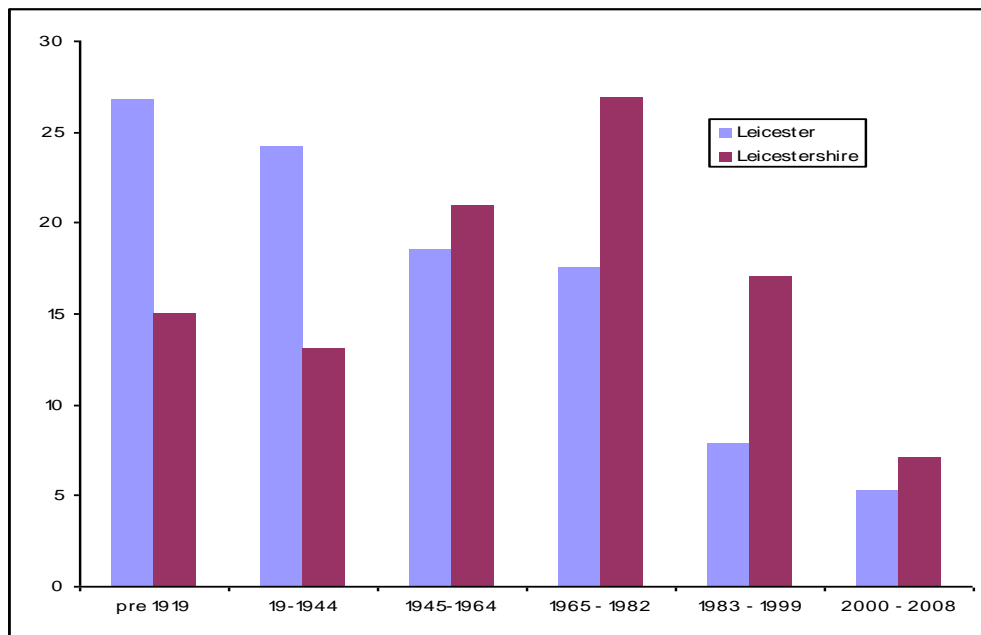
Table 6.4 Breakdown of Property Age (%)

Age of property	HMA	Leicestershire	Leicester	Blaby	Charnwood	Harborough	Hinckley & Bosworth	Melton	North West Leics	Oadby & Wigston
pre 1919	18.7	15.0	26.7	7.2	14.8	19.2	12.9	22.6	22.3	7.3
19-1944	16.6	13.1	24.2	15.9	15.6	7.4	15.7	8.0	10.2	13.7
1945-1964	20.2	21.0	18.5	26.1	22.0	15.4	16.7	19.2	17.1	34.6
1965 - 1982	23.9	26.9	17.6	24.9	26.1	25.3	29.3	29.1	26.2	29.2
1983 - 1999	14.1	17.0	7.8	21.0	14.8	22.2	17.2	15.2	15.9	12.2
2000 - 2008	6.4	7.0	5.2	4.9	6.7	10.4	8.2	5.8	8.2	3.1

Valuation office 2010

⁶ Table shows total housing stock, figure of 34.9% relates to private sector stock only

Figure 6.5 Comparison of property Ages between Leicester and Leicestershire's Housing Stock



Source: Valuation Office, 2010

Private Sector Decent Homes

- 6.22 Decent homes are essential to the positive functioning of the labour market and to improving the quality of communities. Poor housing and poor environment can detract the labour market from the area. Given the current economic climate it is probable that an increased number of households are likely to be less able to afford to maintain their properties whether rented or owner-occupied to an acceptable standard. Local authorities now have very limited funds for grant or loan based assistance. This is due to the Government ending all support for private sector housing renewal and also as a result of reductions in capital receipts through the decline in the sale of council houses since the economic downturn.
- 6.23 The table below shows the number of private sector dwellings in each authority, the number (and %) failing the Decent Homes Standard, and the number which fail each element of that standard. The English House Condition Survey (2007) found private sector non-decency in England to be 35.8%
- 6.24 In the sub-region, Leicester has the highest percentage of its private sector domestic dwellings failing the Decent Homes Standard, at 41.7%. However, Leicester's private sector stock is relatively old, with 35% of Leicester stock having been built before 1919, compared to 24.6% in England (Leicester PSSS 2010/ECHS2007).

Table 6.5 Private Sector Dwellings Failing Decent Homes Standard (Recent Private Sector Stock Surveys apart from*)

	No. of non-decent private sector dwellings	Non-decent	Thermal comfort	HHSRS	Disrepair	Facilities
Blaby	35623	11237	4611	6090	3168	685
Harborough	32179	8824	3397	6559	2054	388
Hinkley & Bosworth	40952	11210	4818	7050	2975	186
Melton	18,882	5922	3092	3850	1299	195
North West Leicestershire	33499	10879	5174	2918	2779	278
Leicester	81830	34131	8806	23574	8535	542
Oadby& Wigston*	21299	6329	3799	3743	855	195
Charnwood (BRE)*	57536	20166	11526	12890	3129	744

* Information from BRE

Public Sector Decent Homes

6.25 The previous government set an original target for all public sector homes to meet the decent homes standard by 2010, although this deadline had been extended for some landlords. Public Sector Decent Homes refers to both Local Authority owned, and Registered Social Landlord (RSL) owned.

Local Authority Decent Homes

6.26 In Leicester and Leicestershire, three local authorities have significant proportions of public sector stock that do not meet the decent homes standard with the highest level seen in North West Leicestershire (55%). However, at the time of writing, the Coalition Government has made funding available to those authorities having over 10% non decent stock. Charnwood, Melton and North West Leicestershire are eligible and have applied, thus a reduction in the proportions shown in table 6.6 is anticipated over the next year.

Table 6.6 Percentage of Non-decent Local Authority Homes in each of the Local Authorities in Leicestershire (as Reported by NI 158 - 31st March 2010)

	% Non Decent LA Homes
Blaby	No LA Stock
Charnwood	34
Harborough	No LA Stock
Hinkley & Bosworth	0
Leicester *	3
Melton	10
North West Leicestershire	55
Oadby and Wigston	4

* Currently 0%

RSL Decent Homes

Table 6.7 Number and % of RSL properties failing the Decent Homes Standard at 31st March 2010.

	No. of non decent RSL homes	% non-decent RSL homes
Blaby	1177	40.9
Charnwood	159	6.8
Harborough	110	4
Hinkley & Bosworth	5	0.3
Leicester *	162	1.5
Melton	5	0.9
North West Leicestershire	17	1.2
Oadby and Wigston	0	0

(RSR Part 0, TSA, March 2010)

*Blaby District Council transferred its stock in November 2008 to address the prominent Decent Homes issue. The LSVT organisation (Three Oaks Homes) has committed to bringing the stock up to the decent homes standard by 2013 as part of the transfer commitment. Figures relate to social stock, not private stock for which the figure in Blaby District is 31.5%

Private Sector Empty Homes

- 6.27 Properties may be empty for a number of reasons – some are new developments which have not yet been fully occupied and some may be a natural function of the housing market – the transitional or ‘churning’ process during which occupants vacate properties and new tenants or owners are sought. Reported vacancy rates vary from 1.2% in Blaby to 3.1% in Leicester City.⁷
- 6.28 Although Leicester has a larger percentage of its private sector homes which are empty, it also has a considerably larger percentage of its dwelling stock which is private rented, which experiences much higher turnover than other tenures. The Survey of English Housing (2005/06) found that 40% of private sector tenants had moved within the previous twelve months compared with just over 10% of social renting tenants and 5% of owner occupiers (over the same time period).
- 6.29 As a result of work carried out as part of the Leicestershire Strategic Housing Market Assessment which showed that empty homes tended to be concentrated in particular parts of the City (especially where there was a high density of private rented homes and/or new developments), Leicester is now using an area-based approach to address the issue of private sector empty homes. (Leicester City Council deals with empty properties once they have been vacant for 18 months or more, as this is the point when it is considered that they are not being addressed by the natural function of the market).

⁷ HSSA, March 2010

Table 6.8 Private Sector Empty Homes – Vacant for more than 6 months

	Private sector vacant for more than 6 months*	All private sector homes**	%
Leicester	2,878	93,256	3.1
Blaby	425	35,753	1.2
Charnwood	1,740	60,115	2.9
Harborough	395	32,760	1.2
Hinckley and Bosworth	460	41,194	1.1
Melton	17	19,416	0.1
North West Leics	829	34,116	2.4
Oadby & Wigston	148	20,833	0.7

HSSA - 2010

*not including vacant for more than 6 months as a result of an agreement with a private developer or partner to set these aside (to be demolished) for regeneration or housing scheme purposes.

** See Tenure Table for calculation

Public Sector Empty Homes

- 6.30 Public sector empty homes are less likely to be vacant than those in the private sector. This is particularly true of council properties which have benefited from a number of schemes designed to reduce turnover, including tenancy support, physical improvements to properties and improvements in dealing with rent arrears issues. In addition to this, there is a substantial demand for affordable housing across the Leicester and Leicestershire housing market. At the 31st March 2010, just 1.3% of Council dwellings in Leicester City were vacant and available for letting.⁸

Overcrowding/Under Occupation

- 6.31 The 2001 Census provided an estimate of occupancy which measures both under-occupancy and over-crowding. A value of less than zero means that there are too few rooms in the household and there is overcrowding. A value higher than zero suggests there is under-occupancy. The measure relates the actual number of rooms to the number of rooms 'required' by the members of the household (based on an assessment of the relationship between household members, their ages and their gender).
- 6.32 Table 6.9 shows the occupancy levels for Leicester and Leicestershire, the East Midlands and England.

⁸ Source Leicester City Councils Rent Accounts

Table 6.9 Occupancy Ratings for Leicester and Leicestershire, the East Midlands and England

	% Occupancy rating of + 2 or more households	% Occupancy rating of + 1	% Occupancy rating of 0	% Occupancy rating of -1	% Occupancy rating of -2 or less
England	49.1	25.5	18.2	5.0	2.1
East Midlands	54.7	26.0	14.9	3.4	1.1
Leicester	41.9	25.8	21.7	7.2	3.5
Leicestershire	60.1	24.2	12.3	2.6	0.8
Blaby	62.5	23.6	11.0	2.2	0.7
Charnwood	55.5	24.7	15.3	3.3	1.2
Harborough	66.0	21.7	9.8	1.9	0.6
Hinckley & Bosworth	57.9	26.4	12.5	2.5	0.7
Melton	65.0	21.0	10.7	2.6	0.7
North West Leics	61.8	24.1	11.3	2.2	0.6
Oadby and Wigston	57.1	26.5	12.7	2.9	0.8

Source: 2001 Census

- 6.33 The 2008 SHMA found that overcrowding is strongly linked to type of property, socio-economic classification and certain BME groups. Leicester has a particularly high level of overcrowding with more than 10% of its households experiencing an occupancy rating of -1 or higher, this is more than 3 times the level of overcrowding seen in Leicestershire. Due to its high level of overcrowding, Leicester has been declared a Pathfinder Authority by the government, tasked with looking at new initiatives to address this problem.
- 6.34 Conversely, higher levels of under-occupancy are found in Leicestershire, with all of the districts in the County having more than 80% of households experiencing under-occupancy levels of +1 or higher. The 2008 SHMA found that higher levels of under-occupancy occur amongst older households, especially those aged over 50. At a more detailed level this can be seen to be higher in the rural and suburban area's, and lower in the City and towns. Under-occupation is also higher for owner occupiers than for tenants (private and social).
- 6.35 The SHMA concluded that overcrowding and under-occupancy could helpfully be addressed by making larger homes a priority in suitable sub-markets to allow households to move up in size, and by the provision of attractive downsizing housing for older households and the use of incentives to help reduce under-occupation in both the public and private sectors.

Housing Affordability and Affordable Housing

6.36 The next section examines issues around housing affordability followed by statistics on affordable housing. These two terms are often used interchangeably, but they are distinct in their meanings, as follows:

Housing Affordability refers to the cost of housing in general, mainly in relation to property purchases for owner occupation. Affordability is generally measured by examining household incomes in relation to property prices, as well as other factors such as access to mortgage products and deposits.

Affordable Housing refers specifically to (typically) subsidised properties which accommodate households in housing need as determined by the planning policies adopted by Local Authorities. This 'policy determined' need is known as 'normative need' (which is identified according to a norm (or set standard), generally set by experts and determined according to some criterion)⁹. Whilst government is currently consulting on a new definition of Affordable Housing¹⁰, Planning Policy Statement 3¹¹ currently provides the definition of Affordable Housing as follows:

"Affordable housing includes social rented and intermediate¹² housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- *Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.*
- *Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision".*

6.37 Any household can be affected by issues of affordability, whether or not they are 'officially' considered to be in need of affordable housing. The two concepts are clearly intrinsically linked, in that the greater the issue of housing affordability in an area, the more likely there will be a demand for affordable housing.

⁹ J Bradshaw, 1972, A taxonomy of social need, New Society (March) 640-3.

¹⁰ see annex A.

<http://www.communities.gov.uk/documents/planningandbuilding/pdf/1840767.pdf>

¹¹ The definition of affordable housing within Planning Policy Statement 3 has been redrafted to reflect the new 'affordable rent' tenure, and is currently out for consultation. See <http://www.communities.gov.uk/publications/planningandbuilding/pps3annexconsultation> (Closing Date for consultation is 11 April 2011)

¹² Planning Policy Statement 3 defines Intermediate Housing as 'Housing at prices and rents above those of social rent, but below market price or rents.' These can include shared equity products (e.g. HomeBuy), and other low cost homes for sale and intermediate rent.

House Prices and Incomes

- 6.38 The ratio of house prices in relation to incomes is typically used as a measure of affordability. The general consensus among housing market analysts is that a property is affordable if the price is around 3.5 times the household income. This is income as opposed to earnings (therefore takes into account the combined wages/salaries, benefits and other possible income (such as shares or dividends), of the typical household).
- 6.39 During the most recent economic boom when access to finance was relatively unrestricted, some advocated a higher affordability ratio (for example 4 or 5 times income), as this coincided with the lending practices of many mortgage providers at the time. However, since the credit crunch and drastic changes in financial policies and the economic climate, lenders have become much more restrictive in relation to mortgage products. Consequently the consensus has largely returned to the 3.5 ratio of house price to income, with some argument that even this is not realistic given stringent lending criteria.
- 6.40 Other factors such as interest rates and deposits are highly relevant in terms of housing affordability. To access many of the better mortgage products currently requires a substantial deposit (up to 40% for the best rates¹³). Combined with consistently high house prices, this can automatically eliminate many households on average earnings from any hope of saving enough to get the mortgage they need. For example, the average house price in Leicestershire is around £170,000. To access the cheapest mortgage products will require a deposit of 35%, or £59,500. To borrow the remainder, household income would need to be over £31,500 per year (at the 3.5 ratio).
- 6.41 In the current scenario of very low interest rates, it could be argued that the borrowing ratio could increase and remain sustainable for the typical household income. However, it must be considered that interest rates are subject to substantial change over the typical life of a mortgage (say 25 years). An example of the impacts of borrowing and interest rates on the finances of a median income household is shown in the table 6.10. It can be plainly seen that excessive borrowing combined with higher interest rates will have a severe impact on economic capacity.
- 6.42 Another important thing to note is that none of the income levels shown in the example below are high enough to buy an average house in many areas of Leicester and Leicestershire.

¹³ www.moneysupermarket.com

Table 6.10 Example of Interest Rate and Borrowing Impacts on Household Income

Typical Median Income	£32,500	Gross monthly income	£2,708.33
Borrowing Ratio	2.5 times income	3.5 times income	4.5 times income
House Price affordable	£81,250	£113,750	£146,250
Monthly Mortgage cost (over 25 years)			
at 3%	£390	£544	£700
at 6%	£530	£741	£953
at 12%	£863	£1,208	£1,554
at 15%	£1,047	£1,466	£1,885
Proportion of gross monthly income	2.5 times income	3.5 times income	4.5 times income
at 3%	14%	20%	26%
at 6%	20%	27%	35%
at 12%	32%	45%	57%
at 15%	39%	54%	70%

- 6.43 Currently the typical borrowing ratio is 3.23 times income, according to data from the Council of Mortgage Lenders (February 2011). Historically the borrowing ratio has been less than this (more like 2 to 2.5 times income), and the precedent of lending up to 10 times household income is unique to the most recent housing market boom, and a significant contributory factor to the financial instability many borrowers and lenders now find themselves in.
- 6.44 The financial sustainability of high borrowing ratios for households who have taken this risk during the boom will remain to be seen, should the Bank of England choose to increase interest rates.
- 6.45 The data on house price and affordability ratios above is ranked in order of average house price. However, there is significant variation within each district, which is masked by the use of averages – this variation is explored in more depth in the Leicester & Leicestershire Strategic Housing Market Assessment¹⁴.
- 6.46 All of the Leicester and Leicestershire district areas are similar in terms of relative affordability. Higher house prices are matched by higher median incomes, indicating a degree of polarisation across the wider housing market area – households will be limited in their choice of location.
- 6.47 To a certain extent the variation in house prices between the city and more rural authorities also demonstrates the ‘escalator model’ and ‘city flight’ concepts. These refer to households moving into the urban area (Leicester City) when they are young, and on lower incomes, then back out to the more suburban areas (outer authorities) as mature families when their incomes

¹⁴ See http://www.blinehousing.info/LeicSHMA/Leicester_SHMA.htm

increase. Housing markets, house prices and stock profiles have developed to reflect this.

Table 6.11 Affordability Comparison (Average House Price/Median Income)

Local Authority	Average house price	Median Household Income	House price: Income Ratio
Coventry	£135,171	£25 to 30,000	1:5
Leicester City	£136,195	£20 to 25,000	1:6
Manchester	£141,431	£20 to 25,000	1:6
Nottinghamshire and Derbyshire LEP	£147,435	£25 to 30,000	1:5
Birmingham	£147,755	£20 to 25,000	1:7
Sheffield	£151,795	£20 to 25,000	1:7
Leeds	£159,153	£25 to 30,000	1:6
Derby	£164,777	£25 to 30,000	1:6
Nottingham	£164,777	£20 to 25,000	1:7
Newcastle	£170,585	£20 to 25,000	1:8
Blaby	£173,148	£30 to 35,000	1:5
North West Leicestershire	£174,560	£30 to 35,000	1:5
Oadby & Wigston	£176,132	£25 to 30,000	1:6
Leicester & Leicestershire LEP	£177,462	£25 to 30,000	1:6
Hinckley & Bosworth	£182,450	£30 to 35,000	1:6
Coventry and Warwickshire LEP	£183,441	£25 to 30,000	1:7
Charnwood	£185,052	£25 to 30,000	1:7
Bristol	£190,960	£25 to 30,000	1:7
Melton	£200,275	£30 to 35,000	1:6
Greater Cambridge/Greater Peterborough LEP	£211,144	£25 to 30,000	1:8
Bristol, West of England LEP	£211,920	£25 to 30,000	1:8
Reading	£213,346	£30 to 35,000	1:7
Harborough	£243,189	£35 to 40,000	1:6
Oxfordshire City Region LEP	£272,988	£25 to 30,000	1:10
Cambridge	£286,437	£25 to 30,000	1:10
Oxford	£303,160	£25 to 30,000	1:11

Source: Housing Intelligence for the East Midlands (www.hi4em.org.uk)

* Land Registry House Price Data September 2009 – September 2010

** CACI Incomes data 2009

- 6.48 This behaviour can be detrimental to both urban and suburban areas, as loss of a large proportion of any particular age group has an impact on the overall function of the local economy. Where cities lose older wealthier households with greater spending power, suburbs lose younger households who are needed to sustain local services like shops and pubs¹⁵.

¹⁵ See “City Flight Migration Patterns in the East Midlands” March 2007 (Centre for Urban and Regional Development Studies, Institute for Policy and Practice, Knowledge House, University of Newcastle, De Montfort University. Available at <http://www.emda.org.uk/uploaddocuments/FlightMigration.pdf>)

- 6.49 When examining income and price levels between the Leicestershire authorities, Leicester City and Harborough District are at opposite ends of the spectrum. However, based on the average income to price ratio, Charnwood Borough is the least affordable area in Leicestershire. The comparative data for other areas shows a distinct North/South divide in relation to price, though again, this does not translate directly to a difference in affordability except in the very high value locations of Oxford and Cambridge.
- 6.50 The average ratio of 1:6 in Leicester and Leicestershire implies that for almost any median income household in Leicestershire, the average house is **unaffordable**. The proportion of lending to first time buyers has been decreasing since 2002. Some argue this is a reflection of increased competition for property from Buy to Let landlords, although there is little available data to sustain this. An increase in speculative property purchase (either buy to leave or buy to let) is certainly thought to have played a role in pricing emerging households out of the housing market, pushing prices up and out of reach to those with limited financial resources and borrowing capacity.

Table 6.12 Annual Average House Prices in Leicester & Leicestershire since 2004

Annual average prices	2004	2005	2006	2007	2008	2009	2010 to date
Blaby	£158,737	£168,134	£175,263	£185,372	£172,134	£162,495	£173,148
Charnwood	£163,583	£170,325	£177,456	£188,562	£182,745	£168,358	£185,052
Harborough	£206,545	£216,967	£219,247	£240,065	£228,311	£214,699	£243,189
Hinckley & Bosworth	£155,203	£167,397	£169,567	£184,185	£173,448	£171,451	£182,450
Leicester City	£126,810	£132,678	£136,203	£143,812	£142,416	£136,160	£136,195
Melton	£169,837	£185,408	£191,626	£207,608	£194,362	£179,350	£200,275
North West Leicestershire	£154,715	£163,207	£169,649	£177,475	£172,293	£159,979	£174,560
Oadby & Wigston	£155,808	£166,071	£165,044	£179,773	£163,879	£154,072	£176,132
Leicestershire	£165,645	£176,037	£180,370	£193,711	£184,241	£173,898	£191,551

Table 6.13 Annual Average House Price Fluctuations in Leicester & Leicestershire since 2004

Annual average prices	2004 (Base)	2005	2006	2007	2008	2009	2010 to date	Change since 2004
Blaby	£158,737	6%	4%	5%	-8%	-6%	6%	8%
Charnwood	£163,583	4%	4%	6%	-3%	-9%	9%	12%
Harborough	£206,545	5%	1%	9%	-5%	-6%	12%	15%
Hinckley & Bosworth	£155,203	7%	1%	8%	-6%	-1%	6%	15%
Leicester City	£126,810	4%	3%	5%	-1%	-5%	0%	7%
Melton	£169,837	8%	3%	8%	-7%	-8%	10%	15%
North West Leicestershire	£154,715	5%	4%	4%	-3%	-8%	8%	11%
Oadby & Wigston	£155,808	6%	-1%	8%	-10%	-6%	13%	12%
Leicestershire	£165,645	6%	2%	7%	-5%	-6%	9%	14%

- 6.51 On the other hand, from an investment perspective, house prices in Leicester and Leicestershire have been fairly resilient. Taking 2004 as a baseline, house prices have increased progressively, stalling slightly during 2008-09, and have since largely recovered. Table 6.13 shows house price fluctuations year on year from 2004 to 2010. The average house price has increased overall in the period considered.
- 6.52 However, changes in the volume of sales (table 6.14) imply that the market has stagnated to a certain extent. This could be viewed as a housing market 'stalemate', with sellers unwilling or unable to drop their prices, and buyers unwilling or unable to raise their offers.

Table 6.14 Sales volumes – Leicester & Leicestershire Compared to National Trends

Year	Leicester and Leicestershire	Leicester and Leicestershire	National	National
2006	10347	Baseline (10,347 sales)	1,275,507	Baseline (1,275,507 sales)
2007	9730	-6%	1,222,055	-4%
2008	4738	-51%	619,260	-49%
2009	4948	4%	614,331	-1%
2010	3462	-30%	477,251	-22%
Overall drop since 2006	-6885	-67%	-798,256	-63%

Source: Housing Intelligence for the East Midlands (www.hi4em.org.uk), Land Registry (www.landregistry.co.uk)

- 6.53 Compared to national sales volumes, the Leicester and Leicestershire area has fared slightly worse compared to national statistics, with a greater overall percentage drop in sales volumes since 2006. The 2010 data shows sales from January to September, not for the whole year. Accepting this, the indication remains that the reduction in turnover is substantial compared to 2006/7, a clear reflection of the change in the economic climate.
- 6.54 Table 6.15 shows a clear price distinction between the rural and urban areas of Leicestershire (though again these averages will mask variation). The difference is most marked between the urban area/towns, and villages/hamlets, and in particular in relation to flats and apartments. There is also a significant price increase between the Leicester Principal Urban area (Leicester urban) and Leicestershire towns. This difference is likely to have a considerable impact on the rural economy in the sub-region, as households earning modest wages (for example in agriculture or retail) will be very unlikely to be able to access housing locally unless affordable properties are available.

Table 6.15 Average House Price by Urban/rural Classification and Property Type

Rural/Urban	Average price	Detached	Semi-detached	Terraced	Flats / Apartments
Leicestershire Villages	£292,458	£365,672	£193,797	£173,706	£129,038
Leicestershire Towns	£186,554	£255,548	£152,870	£130,187	£99,348
Leicestershire Hamlet	£309,834	£397,931	£199,308	£132,381	£199,500
Leicester Urban	£136,183	£229,743	£140,815	£116,922	£98,740

Source: Housing Intelligence for the East Midlands (www.hi4em.org.uk)

* Land Registry House Price Data September 2009 to September 2010

** Defra/ONS Urban and Rural Classifications, 2001

Entry Level Affordability

- 6.55 The lower quartile of house prices is generally considered to be the 'entry point' for first time buyer households. The justification for this is that first time buyer households are likely to be starting at the bottom of the market. However, changes in the housing career (for example an increase in the average age at which people typically purchase property) may imply that this is no longer a foregone conclusion. If the average first time buyer is now well into their thirties, it is likely that they will require larger family housing (for example a typical 3 bed semi-detached property), which more often tends to fall outside of the lower quartile of properties.
- 6.56 The data shows that the income/price ratio at entry level is about the same across the whole HMA. The gap between lower and upper quartiles is widest in Melton and Harborough, which are the most rural areas of the sub-region.

Table 6.16 Leicester & Leicestershire – Lower Quartile Price/income Comparison

Local Authority	Lower Quartile Price	Upper Quartile Price	Median Income	Lower Quartile House Price: Income Ratio
Blaby	£125,000	£195,000	£30 to 35,000	1 : 4
Charnwood	£120,000	£212,000	£25 to 30,000	1 : 4
Harborough	£152,000	£295,000	£35 to 40,000	1 : 4
Hinckley & Bosworth	£118,000	£216,495	£30 to 35,000	1 : 4
Leicester City	£95,000	£159,500	£20 to 25,000	1 : 4
Melton	£120,000	£240,000	£30 to 35,000	1 : 4
North West Leicestershire	£115,000	£200,000	£30 to 35,000	1 : 4
Oadby & Wigston	£123,000	£200,500	£25 to 30,000	1 : 4

Source: Housing Intelligence for the East Midlands (www.hi4em.org.uk)

* Land Registry House Price Data September 2009 to September 2010

** CACI Incomes Data 2009

- 6.57 The relationship between lower quartile incomes (as opposed to median incomes) and lower quartile prices shows a more severe picture. The lower quartile income is typically £10-15,000 below the median income across the sub-region. Consequently the ratio of lower quartile incomes to lower quartile house prices is on average around 1:7. Though prices are lower in Leicester City, the lower quartile income is much lower, and the effect this has on affordability is substantial.

Table 6.17 Lower Quartile Price/income Comparison

Local Authority	Lower Quartile Price	Lower Quartile Income	Lower Quartile House price: Lower Quartile Income Ratio
Blaby	£125,000	£20,000	1 : 6
Charnwood	£120,000	£15,000	1 : 8
Harborough	£152,000	£25,000	1 : 6
Hinckley & Bosworth	£118,000	£20,000	1 : 6
Leicester City	£95,000	£10,000	1 : 10
Melton	£120,000	£20,000	1 : 6
North West Leicestershire	£115,000	£20,000	1 : 6
Oadby & Wigston	£123,000	£15,000	1 : 8

Source: Housing Intelligence for the East Midlands (www.hi4em.org.uk)

* Land Registry House Price Data September 2009 to September 2010

** CACI Incomes Data 2009

- 6.58 Viewing house prices at local authority level allows limited conclusions to be drawn. Within each local authority there is considerable variation, high value, low value, older and newer properties, areas of non-decency and deprivation, highly desirable architectural buildings and popular suburbs. The Leicester and Leicestershire Strategic Housing Market Assessment¹⁶ explores the variations in the housing markets of Leicester and Leicestershire in much greater detail. From an economic perspective, the following points are relevant.
- 6.59 There are key geographical areas within Leicester and Leicestershire which would benefit from investment and subsidy to improve the housing mix and provide affordable options, enabling a mix of households to remain in these areas and sustain their local economies. These areas have already been highlighted in a number of existing strategic documents, including:
- Core Strategies and other strategic planning documents
 - Leicester and Leicestershire Draft Local Investment Plan
 - Emerging Leicester and Leicestershire Local Enterprise Partnership proposals
- 6.60 Though house prices have sustained themselves (so far) through the economic slump, the relative drop in sales volumes prompts a debate as to whether this is a good or bad thing. A drop in prices may improve affordability and provide a stimulus for greater market movement.
- 6.61 There is a clear need for affordable homes. In particular, this relates to lower income households, however property purchase is also often inaccessible for many middle income households. A range of tenures and options needs to

¹⁶ See http://www.blinehousing.info/LeicSHMA/Leicester_SHMA.htm

be available to sustain a mix of social and economic household types across the sub-region.

Housing Stress: Repossessions

- 6.62 Repossessions broadly follow national trends and, in general, are much more modest than in the early 1990s. The number of homes repossessed in Leicester and Leicestershire due to mortgage default for the year October 2009 to September 2010 was 910¹⁷. For comparison per 1,000 households, this was 3.71 in Leicester City and 2.24 in Leicestershire compared with 2.83 in the East Midlands region and 2.54 in England. In terms of annual mortgage claims issued per 1,000 households, Leicester has a relatively low proportion of claims issued compared to its Consumer Protection Financial Agency (CPFA) comparator authorities. The number of repossessions (since 1999) peaked in 2007 at 2,160 in the Leicester and Leicestershire HMA.
- 6.63 Rented properties repossessed by Landlords for the year October 2009 to September 2010 numbered 680 in Leicester City and 485 in Leicestershire. These numbers represent a decline since 2003 when the figures were first published, but Leicester has been consistently above the national average rate, and Leicestershire below.
- 6.64 Statistics on households accepted as homeless regionally have fallen from 2003/04 to 2009/10. However, neither these nor waiting list statistics may reflect the full extent of need. The loss of accommodation provided by relatives or friends, and relationship breakdown is a significant cause of homelessness and may not appear in official statistics.

Need for Affordable Housing

- 6.65 The models which produced needs figures for the 2008 Strategic Housing Market Assessment have recently been updated. This work was carried out as part the Leicester and Leicestershire Managing and Updating Data Project 2010. Full details on the methodology and data used in compiling the models are available in the report. The needs estimates in the table below are based on the following set of assumptions¹⁸:
- Lower quartile entry prices are used to measure a household's ability to access entry level owner occupied housing.
 - A 10% deposit is assumed as the minimum to access a mortgage.
 - Households are expected to be able to borrow 3.5 times their income.
 - 10% of households are assumed to have access to financial resources from sources such as parental help, savings, shares, inheritance etc. (This

¹⁷ <http://www.justice.gov.uk/mortgatelandlordpossession.htm>

¹⁸ N.B. The report itself does not contain these figures, but rather an explanation of how to use and understand the models. It is available online here: http://www.blينهousing.info/LeicsDataProject/Data_and_information_web_links.htm

assumption may be altered based on local conditions and evidence, if available).

- The period over which the housing register backlog will be addressed is 7 years. CLG guidance recommends a minimum of 5 years, which would give higher levels of need.
- A percentage factor is applied to owner occupiers (with a mortgage) to derive a repossession rate. This is sourced from Ministry of Justice data on possession orders.
- A 70% share of the lower quartile price is assumed for households purchasing shared ownership products. 70% has been the typical equity share in the East Midlands, though it has fallen with rising prices. The model can also be used to estimate rental affordability by adjusting inputs as required.

Table 6.18 Figures from Updating of the SHMA Needs Models (2010)

LA	2008 Needs Estimate	2010 Updated Needs Estimate	Housing Need figure as % of RSS target
Blaby	289	344	90%
Charnwood	309	697	88%
Harborough	264	255	73%
Hinckley and Bosworth	290	299	66%
Leicester	790	1,055	82%
Melton	143	200	118%
North West Leicestershire	355	178	35%
Oadby and Wigston	214	208	231%
HMA overall	2,654	3,235	80%

Source: Leicester & Leicestershire Strategic Housing Market Assessment (2008), Leicester & Leicestershire Managing and Updating Data Project (2010)

- 6.66 The need figures shown in table 6.18 cannot be directly translated into policy. Delivering this proportion of affordable homes as part of the overall housing offer for the sub-region is economically and socially impractical. The figures serve to underline the continued dysfunction of the housing market in aligning prices with incomes, and emphasise the increasingly challenging environment faced by local authorities in trying to shape a more balanced housing market.
- 6.67 Policies relating to the provision of affordable housing vary across the sub-region both in relation to the stage they have reached (particularly with regard to Core Strategies), and the approach they take.
- 6.68 Considerable deliberation is involved in reaching a policy decision with regard to how affordable housing and housing in general is to be delivered. Following the drastic change in economic circumstances which has impacted so heavily on the house building industry, local authorities must give due consideration to issues of viability in planning how they will deliver their strategies. Planning obligations can place burdens on developments which

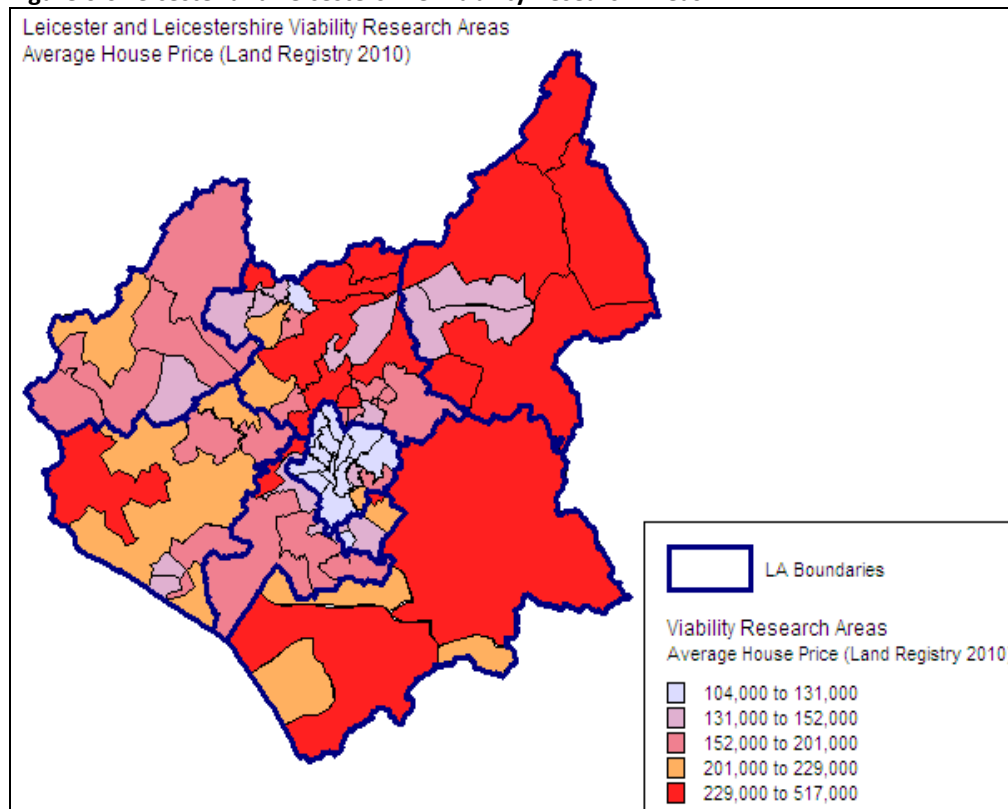
can threaten the delivery of schemes in areas with weaker land values, whilst a lack of assertion in obtaining planning gain can result in missed opportunities to secure delivery of essential infrastructure or housing. The following section explores the issue of economic viability in relation to delivery of affordable housing across the sub-region.

Viability

- 6.69 Although the SHMA identified that the need for affordable housing is very high across the whole Housing Market Area (HMA), Government policy (PPS3, Paragraph 29) states that affordable housing targets should also reflect an assessment of the likely economic viability of land for housing within an area.
- 6.70 All Leicester and Leicestershire Local Authorities therefore undertook Affordable Housing Viability Assessments to help inform the development of their Core Strategy policies and target setting. These were completed between December 2008 and September 2009¹⁹. The methodology used was consistent across the whole HMA. Each authority area was divided into sub-markets based on house price data. For each sub-market different scenarios were tested which showed the impacts of increasing the percentage of affordable housing on residual site values. Typically, those areas with high property values (and by association land values) withstood much greater levels of affordable housing contribution in high level tests, in some cases up to and over 50%. The studies identified that viability varies both across and between districts.

¹⁹ Charnwood Borough Council report is not yet publicly available. Final reports for all other Leicester and Leicestershire Local Authority Areas are available online.

Figure 6.6 Leicester and Leicestershire Viability Research Areas



*Charnwood areas are postcode sectors as the final sub-markets used in the Viability Report are not yet available.

Source: Leicester and Leicestershire Viability Assessments, Local Authority internal information, Land Registry House Price Data (September 2009 to September 2010)

6.71 Based on these findings, the reports outlined a number of policy options for each authority. These followed a generally similar pattern, namely:

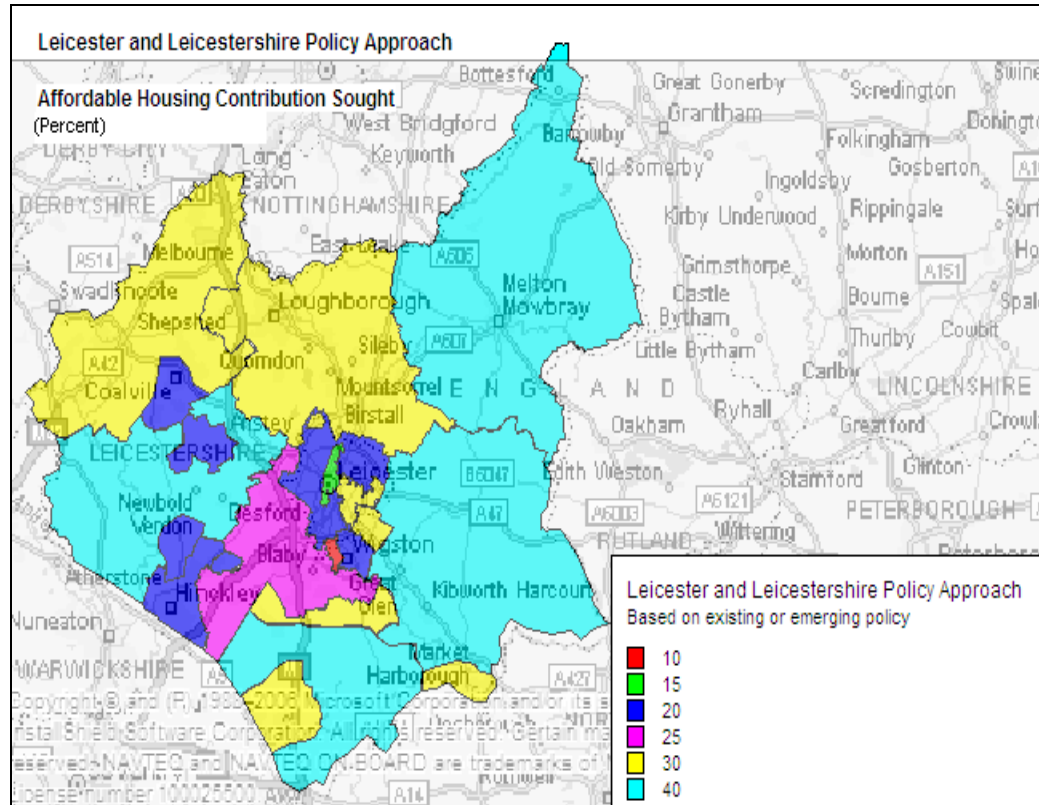
- A single target that would be easily achieved in higher value markets, achievable in many cases in the medium value areas but routinely unviable for the weaker sub markets without public sector grant; or
- Differential targets for different parts of the authority to reflect the differences in market values.

6.72 The suggested differential targets ranged from 10% in some urban areas to 40% in some of the more rural areas of the HMA. Factors other than local house prices had an influence on viability – for example it was found that high existing commercial use values impacted on the affordable housing target achievable in the Strategic Regeneration Area within Leicester City (a relatively low 15%).

6.73 In addition to testing targets for affordable housing, the assessments also considered the thresholds over which the requirement for affordable housing would apply. The conclusion was that, from a viability perspective, there are no problems in principle with adopting a threshold below the national indicative minimum of 15 dwellings, and a number of authorities have

already adopted lower thresholds through their Core Strategies. The question of whether each authority does reduce their threshold beneath 15 dwellings, or how far below they reduce it to, depends on the profile of their expected site supply and also the cost-effectiveness of negotiating affordable housing contributions on particularly small sites.

Figure 6.7 Planning policy affordable housing percentage targets in Leicester and Leicestershire



Source: Local Authority strategic planning portfolios (2010)

*SPD: Supplementary Planning Document; DPD: Development Plan Document

Source: Local Authority Strategic Planning and Housing Document Portfolios

Map shows percentage of affordable housing sought on eligible developments, determined by local authority affordable housing policy and viability.

Table 6.19 Leicester and Leicestershire Authorities Planning Policy Affordable Housing

Local Authority	Stage the policy has reached in democratic process	Area Breakdown	% target of affordable housing sought from developer contributions	Site Threshold (Minimum number of dwellings) for which a proportion of affordable units are sought
Blaby*	Emerging Core Strategy (submission version 2009, consultation period is closed)	Blaby District	25	15
Charnwood	Adopted Affordable Housing SPD (23 September 2005)	Charnwood Borough	30	15
Harborough	Emerging Core Strategy (publication version 2010, consultation period is closed)	Harborough Rural South West	40	
		Harborough Rural North and Central	40	
		Market Harborough	30	
		Lutterworth	30	
		Blaby Border Settlements	30	1
Hinckley and Bosworth	Adopted Core Strategy 15 December 2009	Hinckley urban areas excluding proposed SUEs (Hinckley, Barwell, Earl Shilton, Burbage)	20	15
		Proposed SUE areas (Earl Shilton/Barwell)	20	
		Rural Hinckley	40	4
Oadby and Wigston	Adopted Core Strategy 28 September 2010	Oadby	30	10
		Wigston	20	
		South Wigston	10	
Leicester City	Adopted Core Strategy 25 November 2010 Adopted Affordable Housing SPD 21 March 2011	Strategic Regeneration Area	15	15
		Ashton Green	30	
		South East Leicester	30	
		Rest of the city	20	
Melton	Core Strategy (Preferred Options) DPD (January 2008), Submission DPD in preparation.	Melton Borough	40	6
		Melton Borough	Financial contribution of 13% of open market land value	<6
North West Leicestershire	Adopted Affordable Housing SPD adopted 18th January 2011 (Policy regarding trigger units comes into force on the 18th July 2011)	Greater Coalville Area	20	15
		Rest of the district	30	5

* Blaby District has emerging policy seeking 30% affordable housing in the SUE and 25% elsewhere

6.74 The affordable housing policies shown in table 6.19 are the latest adopted or proposed for each local authority at the current time. Each reflects an assessment of viability and subsequent consideration of the most appropriate approach in light of the wider strategic objectives of housing delivery, regeneration, renewal and economic growth. Further information on the strategic framework and current policy position is available via Local Authority websites.

- 6.75 The viability assessments emphasised that there will be site specific circumstances where achievement of the affordable housing requirements may not be possible, but that this should not detract from the robustness of the suggested overall targets. Viability issues for individual sites will need to be justified by the developer and will be considered as part of the normal planning application process.
- 6.76 The baseline for the testing was an assumption of no grant being available. However, the assessments did identify that if it was available, grant funding would have a greater proportionate impact in the weaker sub-markets. Grant is not an insignificant factor in middle and higher markets but the uplift in viability is not as marked.
- 6.77 This work therefore demonstrates that despite the setting of targets, delivery of affordable housing is far from certain and is subject to the testing and justification of the economic viability of a particular site. Whilst lower percentage targets exist on some sites, actual affordable housing delivered may be less than the target where significant costs (such as on inner city, regeneration sites) impact upon the amount of affordable housing (and other planning gain contributions). Clearly viability will have an impact upon delivery of the much needed affordable housing.
- 6.78 The trigger levels or thresholds at which affordable housing is introduced are key to viability and ensuring sufficient supply of affordable housing. A low trigger may negatively impact upon viability, and turn developers away. This will leave sites undeveloped and a lack of housing. If the triggers are too high, then insufficient affordable housing would be provided. Figure 6.19 shows the trigger levels across the sub-region.
- 6.79 The matter of viability has become increasingly important and has the potential to greatly impact on the delivery of market and affordable housing. This is as a result of the significant cuts in funding imposed by the Coalition Government. Previously, grant funding has been more widely available to close the gap in viability, by subsidising the value of affordable properties via the Homes and Communities Agency's National Affordable Housing Programme or by providing up front funding for infrastructure, such as from Growth Point Funding. New delivery models will be introduced to replace traditional funding streams, but the effectiveness of these is not yet known.

Provision of Affordable Housing

- 6.80 The Housing Strategy Statistical Appendix is an annual audit of housing stock and provision carried out by all local authorities in England. The tables below show the supply of social and intermediate affordable homes by local

authority from 2005 to 2010. It is difficult to gauge any particular trends in relation to this supply, except that possibly the size and density of each local authority in the sub-region has an impact on volume.

- 6.81 The influences on the ability and inclination to deliver affordable housing are so numerous that it is very difficult to unravel the reasons behind any fluctuations or differences. However, an interesting indication is that the supply of affordable homes does not necessarily seem to have been particularly adversely affected by the economic downturn. It may be that schemes agreed during a healthier economy are coming through in later years, and may also be a reflection of the efforts of the Homes and Communities Agency to sustain the market with grant funding.

Table 6.20 Historic Supply of Social Rented Housing by Local Authority

Historic supply of social rented housing by LA	2005/06	2006/07	2007/08	2008/09	2009/10
Blaby	46	0	42	8	22
Charnwood	65	50	68	97	54
Harborough	13	57	61	14	64
Hinckley & Bosworth	112	63	37	62	68
Leicester	51	155	170	76	68
Melton	10	0	50	43	1
North West Leicestershire	0	6	25	10	64
Oadby & Wigston	5	0	10	16	21

Source: CLG Housing Strategy Statistical Appendix, 2005-06 to 2009-10

Intermediate Housing

- 6.82 According to Planning Policy Statement 3, Intermediate Housing is ‘Housing at prices and rents above those of social rent, but below market price or rents.’ These can include shared equity products (e.g. HomeBuy), and other low cost homes for sale and intermediate rent.
- 6.83 The aim of intermediate housing is to address the needs of the (increasing number of) households for whom the traditional social rented tenure is inappropriate, but who cannot access open market housing. This group is often referred to as the ‘inbetweeners’²⁰, and providers have explored a number of alternative forms of housing product to attempt to cater for them.
- 6.84 There is some concern that lack of grant and reduced support for intermediate housing products from lenders may jeopardise the future provision of this form of tenure.

Table 6.21 Intermediate Housing Sales

²⁰ See for example “Stuck in the Middle”, Inside Housing, 01 October 2010 <http://www.insidehousing.co.uk/analysis/in-depth/stuck-in-the-middle/6511898.article> (last accessed 15 March 2011)

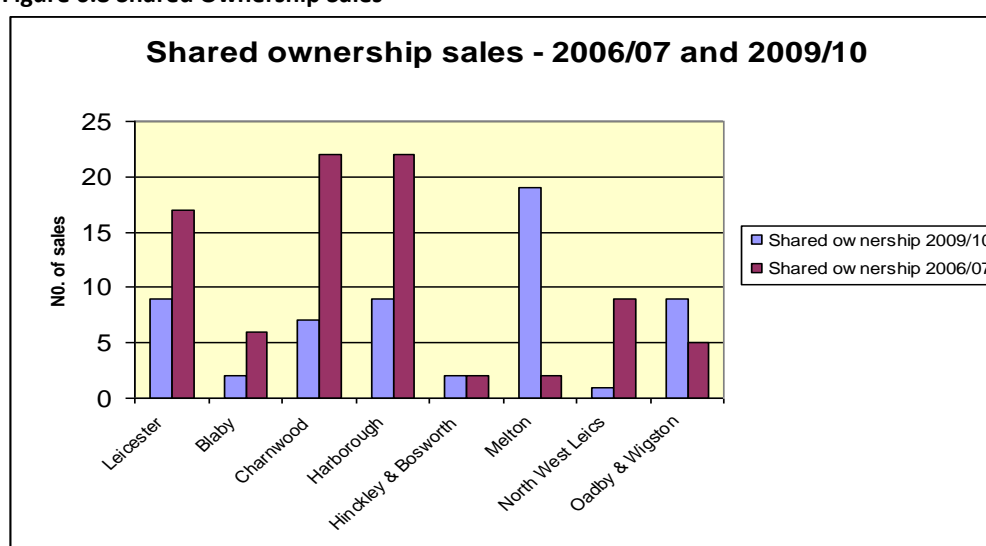
Local Authority	Shared Ownership 2009/10	Shared Ownership 2006/7	New Build HomeBuy	Open Market HomeBuy	Total
Leicester	9	17	1	2	12
Blaby	2	6	1	1	4
Charnwood	7	22	0	2	9
Harborough	9	22	2	2	13
Hinckley & Bosworth	2	2	0	2	4
Melton	19	2	0	0	19
North West Leicestershire	1	9	0	0	1
Oadby & Wigston	9	5	0	5	14
Total	58	85	4	14	76

CORE Statistics

6.85 Table 6.21 and figure 6.8 show that Shared Ownership sales have declined from 2006/07 to 2009/10 by 32% and total Low Cost Home Ownership sales have declined from 2006/07 to 2009/10 by 37%. The exceptions to this general trend are Melton and Oadby & Wigston which have both experienced increases during this period.

6.86 The viability of Low Cost Home Ownership (LCHO) has been affected by the economic downturn, particularly with problems relating to mortgage availability, valuation and down payments. Additionally, lenders have become less willing to lend on LCHO schemes and/or interest rates and fees for these non-mainline housing products have increased.²¹ However, shared ownership is still working fairly well in parts of the country where property values are still relatively high and long-term prospects are thought to be good.

Figure 6.8 Shared Ownership Sales



CORE Statistics

²¹ See Managing and Updating Data Project 2011at: http://www.blincousing.info/LeicsDataProject/Data_and_information_web_links.htm

Table 6.22 Historic Supply of Intermediate Housing by Local Authority

Historic supply of intermediate housing by LA (includes shared ownership and intermediate rent)	2005/06	2006/07	2007/08	2008/09	2009/10
Blaby	26	10	16	10	6
Charnwood	55	56	19	34	98
Harborough	13	12	29	9	48
Hinckley & Bosworth	27	17	7	27	39
Leicester	29	85	67	56	98
Melton	0	4	3	71**	3
North West Leicestershire	20	2	21	8	25
Oadby & Wigston	13	12	26	0	6

Source: CLG Housing Strategy Statistical Appendix, 2005-06 to 2009-10

*N.B. Leicester City and North West Leicestershire Councils show an additional 57 and 7 units respectively in 2005/06. It is not defined within the HSSA whether these units were intermediate or social rented, so they have not been included in the above tables.

**N.B. The significant increase in Melton in 2009/10 is a reflection of a peak in provision which resulted from grant funding injections to stall the recession during 2008/09, followed by a delay in sales of shared ownership properties and a number of conversions of those properties to social rent, due to lack of demand.

- 6.87 The supply of Intermediate Housing is likely to be significantly affected by the change in the position of grant funding proposed by the Homes and Communities Agency. The Affordable Homes Framework confirms that funding for Rent to HomeBuy or Intermediate Rent will no longer be available. Funding may be available for shared ownership as the main form of affordable home ownership in conjunction with provision of affordable rent and with the support of the local authority²².
- 6.88 Affordable housing products are currently undergoing significant change in light of the introduction of affordable rents²³, reduced central government funding for provision, and restrictions on mortgage lending for intermediate products. There has been confirmation from the Homes and Communities Agency that there is continued support for intermediate products within the HomeBuy range of products²⁴, but the extent of update and provision remains to be seen. Due to the many significant changes both in the means of provision and the tenures available, the market for affordable homes may vary significantly in future, potentially away from the traditional mix of social rented and intermediate housing.

²² See <http://www.homesandcommunities.co.uk/affordable-rent> pp.20-22

²³ Affordable Rent is a new tenure introduced by the coalition government, which will be typically set at 80% of market rent. For more information see <http://www.homesandcommunities.co.uk/affordable-rent>

²⁴ See http://www.homesandcommunities.co.uk/home_buy

Planned Housing Growth

6.89 Notwithstanding the Coalition Government's clear intention to abolish the current regional planning tier, the regional spatial strategies still remain part of the statutory Development Plan until the Localism Bill is enacted by April 2012 (at the earliest). Therefore the adopted East Midlands Regional Spatial Strategy provides the sub-regional planning context for the scale and distribution of future housing growth within the Leicester and Leicestershire HMA. Current legislation requires local planning authorities to have regard to the regional strategy in their local development framework Core Strategies.

Table 6.23 Summary of Proposed Additional Housing Provision in Leicester and Leicestershire 2006 to 2026

Local Authority	Annual Apportionment from 2006	**Total Housing Provision 2006 to 2026
Leicester*	1,280	25,600
Blaby	380	7,600
Charnwood	790	15,800
Harborough	350	7,000
Hinckley&Bosworth*	450	9,000
Melton	170	3,400
North West Leics	510	10,200
Oadby&Wigston*	90	1,800
Leicester & Leicestershire HMA	4,020	80,400

Source: East Midlands Regional Spatial Strategy (March 2009)

* Leicester, Hinckley & Bosworth and Oadby & Wigston have adopted Core Strategies which retain the above RSS housing targets.

** The figures for those Authorities not having adopted Core Strategies may be subject to change following the abolition of RSS's.

6.90 Table 6.23 identifies that the Regional Spatial Strategy requires the HMA to deliver over 80,000 new homes by 2026. It gives priority to urban concentration within the Leicester Principal Urban Area (PUA), and to a lesser extent the sub-regional centres of Coalville, Hinckley, Loughborough, Market Harborough and Melton Mowbray, including sustainable urban extensions (SUE's) as necessary. Almost 50% of future housing growth is currently focused on the Leicester PUA, capitalising on the city's substantial urban capacity. The overall strategy is the basis for the Three Cities and Counties Growth Point programme which has received substantial Government funding towards new infrastructure and housing delivery.

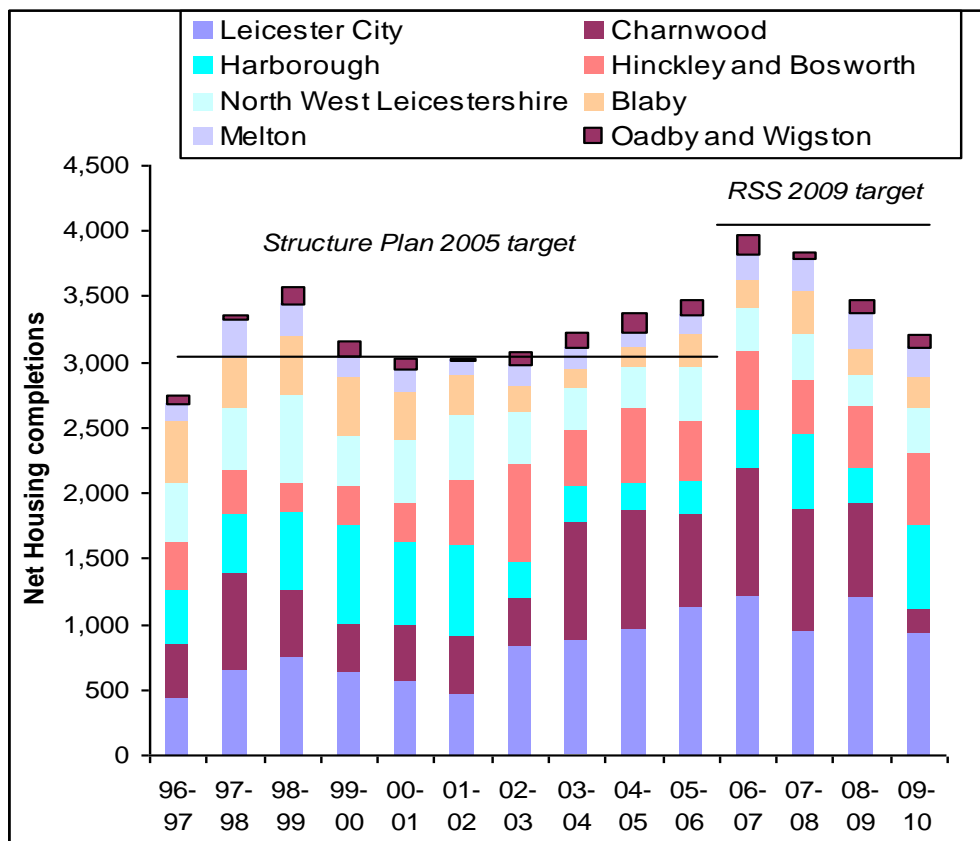
6.91 Annual Monitoring Reports on plan policies show²⁵ that nearly 75% of dwellings in the HMA were built on previously developed land in 2009/10, and that over 50% of dwellings were built at a density of over 50 dwellings per hectare.

²⁵ e.g. East Midlands Regional Plan AMR

Recent Housing Completions

6.92 Each year, Local Authorities monitor how many new homes have been completed, to assess performance against planned growth provision targets. The chart below shows that net housing completions from 1997 met the former 1996-2016 Structure Plan annual housing provision targets, and, at their peak in 2006/07, were close to meeting the Regional Plan Targets for 2006-26 (adopted in March 2009, there are much higher than the former structure plan targets). However, there was a decline in completions over the following years, to a low in 2009/10 of only 3,210 completions compared to a target of 4,020. The contribution of completions for each local authority varies annually. From 1996 to 2008 the Leicestershire districts exceeded their combined targets. For the period 2004 to 2010 Leicester City made a stronger contribution largely due to recent high density city centre apartment developments which have been affected most by the housing market downturn.

Figure 6.9 Net Housing Completions 1996-2010 Compared to Plan Targets



Source: Residential Land Availability monitoring reports for Structure Plan; RSS Annual Monitoring Reports

Projected Changes in Household Numbers

6.93 Targets for overall housing provision set in Development Plans are subject to periodic review. As mentioned elsewhere in this chapter, there are a number of changes taking place in the framework for making and reviewing Development Plans. At the time of writing, Planning Policy Statement 3 (PPS3) advises that account should be taken of, among other things, evidence of current and future levels of need and demand for housing based upon the Government's latest published household projections and the needs of the regional economy, having regard to economic growth forecasts. The current 2008-based projections, along with estimated trends from 1991, are shown below. Projected household growth annually for the 25 year projection period averages 2%, compared to 1.8% for England, and 0.9% for the period 1991-2008.

Figure 6.10 Estimated and Projected Household Numbers Change 1991-2031 Leicester and Leicestershire

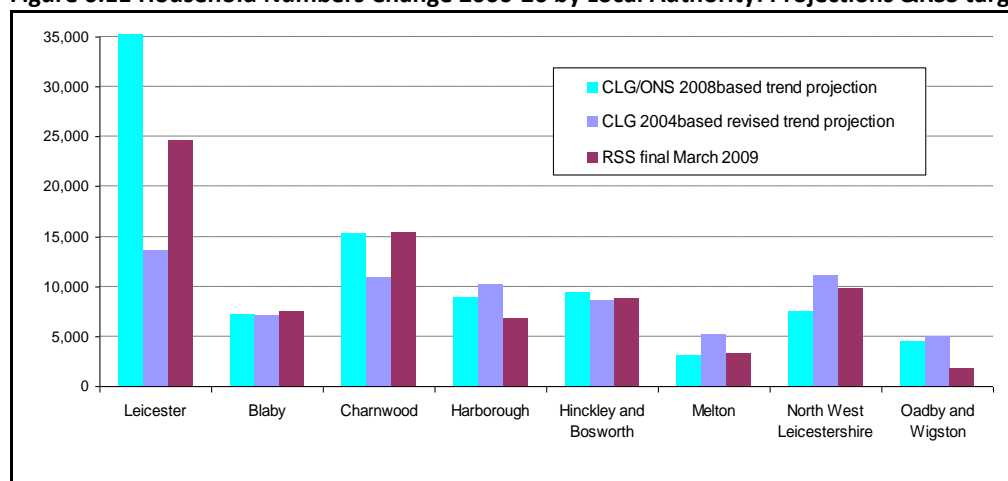


Source: CLG 2008-based household projections November 2010

6.94 The much higher projected growth from 2001 is particularly attributable to projections for Leicester City, which now take account of recent trends for increased net migration from overseas. The trends are not calculated with any reference to change in housing provision. Trends in household growth may be modified both by changes in underlying population projections (for instance due to work-related migration changes) and to underlying household composition (economic circumstances may affect the likelihood of household formation or membership in the existing population).

6.95 The targets in the March 2009 RSS were largely guided by the revised 2004-based household projections for the sub-region. These projected a trend for more household growth than the 1996-based projections (available when the previous RSS and Structure Plan were adopted). The chart below shows the current 2008-based projections, revised 2004-based projections and the RSS target. The distribution of the RSS target between Local Authorities was also influenced by sustainability and land availability.

Figure 6.11 Household Numbers Change 2006-26 by Local Authority: Projections & RSS target



Source: CLG, GOEM

Table 6.24 Estimated Households by Type 2008 (1000s)

	One person	Couple (with or without others)	Lone parent (with or without other adult)	Other	Total
ENGLAND	7,316	11,419	1,688	1,308	21,731
EAST MIDLANDS	595	1,043	134	97	1,869
Leicester & Leicestershire	119	215	27	22	383
Leicester UA	46	53	12	11	122
Leicestershire	73	162	15	11	261
Blaby	10	25	2	1	38
Charnwood	19	38	4	4	65
Harborough	9	22	2	1	34
Hinckley and Bosworth	12	28	2	2	44
Melton	6	13	1	1	21
North West Leicestershire	11	24	2	1	38
Oadby & Wigston	7	13	2	1	23

Source: CLG 2008 based projections published table²⁶

6.96 Projections for Leicester and Leicestershire show an increase over the 25 year projection period for all local authorities and most household types. Couple households predominate in all areas, and in the sub-region are projected to increase from 215,000 to 239,000 by 2033. One person households are projected to increase by much more, from 119,000 to 189,000 by 2033. Lone parent households are projected to increase from 27,000 to 45,000, and 'other' households from 22,000 to 24,000. Projections by age of household head for Leicester and Leicestershire show an increase of 16% for the under 65s, 45% for age 65-84 and 150% for those aged 85+ (with a large increase in

²⁶ More detailed tables are available for modelling and analysis, subject to terms and conditions
<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/householdestimates/detailedatadownloads/>

one person households projected in this age group). This is comparable to the national proportions of change by broad age group. These projections assume increases in survival rates, mostly affecting projections of older people, and also continuing high net overseas migration rates affecting younger age groups.

Land for Housing Development

6.97 In order to provide housing of the right types in the right locations, there must be a sufficient supply of land. In order to assess the potential availability of land to meet the housing targets set out in the RSS, a number of Strategic Housing Land Availability Assessments (SHLAAs) have been undertaken; one covering the PUA and one for each of the districts. The results of these studies suggest there is sufficient land available across the sub-region through the plan period to deliver the RSS housing target. Table 6.25 shows housing numbers which could be provided on the available land. In interpreting the tables, the following should be noted:

- Beyond the first 5 years sites are described as ‘developable’ in PPS3²⁷ not ‘deliverable’
- PPS 3 states that in order to be considered ‘deliverable’, sites should, at the point of adoption of the relevant Local Development Document be:
 - available’ - the site is available now
 - ‘suitable’ - the site offers a suitable location for development
 - now and would contribute to the creation of sustainable, mixed communities
 - ‘achievable’ - there is a reasonable prospect that housing will be delivered on the site within five years
- To be considered ‘developable’ - sites should be in a suitable location for housing development and there should be a reasonable prospect that the site is available for, and could be developed, at the point envisaged
- The total column represents total completions and land available (i.e. completions plus deliverable and developable sites)

27

<http://www.communities.gov.uk/documents/planningandbuilding/pdf/planningpolicystatement3.pdf>

Table 6.25 Housing Numbers which could be provided on available land by Local Authority District

Local Authority	RSS Target 2006 to 2026	RSS target Build Rate per year	Completions in plan period 1 April 2006 to 31 March 2010 (Monitoring year 06/07 to 09/10)	Deliverable 1 April 2010 to 31 March 2015 (Monitoring year 10/11 to 14/15)	Developable 1 April 2015 to 31 March 2026 (Monitoring year 15/16 to 25/26)	Developable 2026+	Total (1)+(2)+ (3)+(4)
			(1)	(2)	(3)	(4)	
Blaby	7,600	380	924	433 a	7113	No data beyond 2026	8,470
Charnwood	15,800	790	3,248	2,787	37,229 b	No data beyond 2026	43,264 b
Harborough	7,000	350	1,841 c	1,497 c	5,316 c	3,340 c	11,994 c
Hinckley & Bosworth	9,000	450	1,663	464d	20,190d	No data beyond 2026	22,317d
Leicester	25,600	1,280	4,295	7,065	15,488	No data beyond 2026	26,848
Melton	3,400	170	957	788	6815	8560	17,120
Oadby & Wigston	1,800	90	378	450	1,411	No data beyond 2026	2,239
North West Leicestershire	10,200	510	1,156	1,115	2,081	No data beyond 2026	4,352

a The figure provided (433), excludes units that have already gained planning permission or are under construction, if these commitments and units under construction are included the figure in this column would be 1,568.

b Charnwood's new SHLAA now includes SUE proposals, there is an element of double counting on these SUE's where different developers have submitted schemes on roughly the same site. A more realistic figure is approx. half of the totals **b** shown above.

c Source: Harborough District Strategic Housing Land Availability Assessment (SHLAA)

d Please note figures for Hinckley and Bosworth relate to different time periods, 'Deliverable 2010/11 to 2013/14', 'Developable 2014/15 to 2018/19' and 'Total'.

6.98 The Strategic Housing Land Availability Assessments (SHLAAs) represent a "long list" which is then subject to further testing by local planning authorities before inclusion in land allocations development plan documents (DPDs). These set out proposals for housing development to meet the RSS or whatever targets / requirements will be established in the future. The documents are then published for consultation and subject to independent examination. Planning applications for development will be expected to be generally in line with emerging proposals in the land allocations DPD. Although the details will change with the Localism Bill, the overall principles are unlikely to change.

6.99 The availability of deliverable housing land is significantly influenced by the suitability of sites coming forward. Sites must be carefully monitored and managed to prevent constraints on the delivery of housing numbers as a result of insufficient land in the right locations at the right time. This relationship is fraught with difficulties such as:

- In some cases, such as in Blaby, the figures representative of deliverable sites in the first five years provide insufficient land to meet the RSS target average build rate. In the case of the City, while land for approximately

12,000 dwellings has been identified within the Strategic Regeneration Areas, these sites are technically complex and development costs are higher. The development of these sites is time-consuming and there are a number of factors which may delay or prevent development coming forward. Therefore, early housing delivery will need to take place on Greenfield land which has been identified at Hamilton and Ashton Green (planning permission for Ashton Green was granted in December 2010). The same is true for Blaby, where early delivery of the SUE will be necessary to ensure sufficient land availability in the short- term. A planning application for the New Lubbethorpe proposal, the SUE located in the District of Blaby, was received in February 2011.

- Harborough, for example, have indicated these figures may change as a result of an improved approach to undertaking the SHLAA in subsequent years.
- Identified sites may not actually be delivered for any number of reasons, such as they might not be suitable in planning terms.
- The meeting of the RSS annual build rate target. Missing the target positively or negatively may affect the timing of sites that need to come forward. In the current climate, the RSS target has not been met.
- Historic patterns of land purchase and trading also affect the deliverability of sites. Some sites may have been previously purchased at enhanced values that now cannot be realised effectively sterilising them.

6.100 As well as land, Enabling Strategies (Local Development Frameworks- LDFs etc.) will continue to be key to delivering the right housing in the right locations at the right time. LDFs are particularly critical to the delivery of the SUEs. The SUEs are to accommodate a significant amount of the planned housing growth and early adoption of the LDF documents is important if the sub-region is to achieve the housing growth targets in the timescales set out in the RSS.

Housing reform – New Housing Delivery Models

6.101 The Government has recently released a series of consultation documents and proposals that will impact on the delivery of housing and improving the quality of homes. In particular, the Localism Bill (December 2010) includes a number of clauses which will bring radical changes to the management and regulation of social housing.²⁸ The Bill also introduces new incentive based measures that are intended to encourage the delivery of new housing, in areas where it is wanted by the local population, but without the traditional public funding injections.

²⁸ The Localism Bill can be viewed on the DCLG web site at <http://www.communities.gov.uk/localgovernment/decentralisation/localismbill/>

- The over-riding Government policy objective is to create a system in which social landlords are able to use greater freedoms and flexibilities to manage their stock and the housing needs and aspirations of their tenants and prospective tenants more effectively and in a way best suited to local circumstances.
- The government's preferred proposals are intended to: reduce the size of waiting lists; increase the flow of new tenants into social housing; improve tenants' ability to move to another social home both within the local area and beyond; and reduce over-crowding within the social sector; reduce the number of households in temporary accommodation. New affordable rents will complement the new flexibilities on tenure by providing alternatives to traditional social rent.
- The proposals for new affordable rents involve giving registered housing providers the freedom to charge affordable rents at up to 80% of the market rent on new homes and those existing homes that become vacant. The possible additional income generated would support increased borrowing by the providers to fund new development.
- The introduction of the New Homes Bonus (NHB)²⁹ that will pay the equivalent of the average council tax for six years to the local authority on new homes and those long term empty homes brought back into use. This will include an additional bonus of £350 each year for each affordable home delivered. The NHB will be implemented from 2011/12 onwards and the grant will not be ring fenced. Final NHB allocations for 2011/12 based on completions for 2009/10 were announced by the Government on 4 April. As can be seen from table 6.29 this indicates a total of about £4 million for the whole Leicester and Leicestershire HMA for each of next 6 years. Local authorities can decide how to spend the funding in line with local community wishes. The Government expects local councillors to work closely with their communities - and in particular those neighbourhoods most affected by growth – to understand their priorities for investment. This may relate specifically to the new development or more widely to the needs of the local community.

²⁹ See <http://www.communities.gov.uk/housing/housingsupply/newhomesbonus/>

Table 6.26 New Homes Bonus for Leicester & Leicestershire HMA 2011/12

	District	County	County + Districts
Blaby	£154,412	£38,603	£193,015
Charnwood	£644,387	£161,097	£805,484
Harborough	£507,757	£126,939	£634,696
Hinckley & Bosworth	£349,762	£87,441	£437,203
Melton	£168,868	£42,217	£211,085
NW Leicestershire	£226,821	£56,705	£283,526
Oadby & Wigston	£73,176	£18,294	£91,470
Total District/County	£2,125,183	£531,296	£2,656,479
Leicester City	£1,410,116		£1,410,116

Leicester & Leicestershire HMA Total	£4,066,595
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Source: CLG final NHB allocations published 4th April 2011

- Funding targeted at achieving the Decent Homes Standard across local authority housing. Those authorities having over 10% of non-decent stock are automatically eligible for this funding.
- Funding targeted at reducing the number of empty homes. In addition to the New Homes Bonus funding referred to above, the Government has also allocated £100 million nationally as part of the Spending Review for Housing Associations to bring empty properties back into use.

6.102 These proposals, together with opportunities offered through public sector owned land and the use of Section 106 agreements in planning consents offer a number of different ways to deliver new and affordable homes.

6.103 In practice, it is likely that a combination of approaches will be required to realise delivery, notwithstanding the influence of development viability according to particular site location and other material planning considerations.

6.104 At the time of writing this chapter, Leicester and Leicestershire authorities still do not know the full implications of these measures. It remains to be seen whether these measures will be able to deliver the scale of new and affordable homes that is envisaged. It is not clear whether or not the new measures will unlock delivery or act as a further constraint to supply of housing.

Housing Chapter Summary

6.105 There is a considerable variation in property types and tenures across the Leicester and Leicestershire Housing Market Area (HMA)³⁰, but these tend not to correlate to demography or actual need. As with most cities in England, Leicester has ‘prospering suburbs’ which surround the more mixed and less well-off central areas of the bigger settlements. Overall, the HMA has housing at a range of prices that are sufficiently high to contribute to economic buoyancy, and relatively affordable compared to household income. However, variations within this generalised pattern reveal significant shortage of affordable dwellings across the HMA both in rural and in urban areas to meet need. This shortage is, at least in the short-to-medium-term, set to increase as a result of the current economic climate and the associated difficulties such as the inability to obtain mortgages, or the loss of homes.

Housing Stock

6.106 The HMA has a wide range of housing types and sizes and the housing mix is comparable to that found in similar City-centred sub-regions across Britain. While Leicester has a high proportion of one bedroom properties, terraced housing and flats and a significant social housing sector, Leicestershire has a higher proportion of larger housing, private sector properties and detached housing. The housing stock is distributed across a variety of locations with good quality housing available in both city and rural locations. This property mix is able to cater for the wide variety of socio-economic needs and aspirations which are found throughout the HMA, and to provide a resource and incentive for those living beyond the HMA who may wish to relocate into Leicester and Leicestershire.

Decent Homes

6.107 **Private sector:** Across the seven Leicestershire local district council areas around 31% (74,600) of private sector homes fail to meet the Decent Homes Standard. In Leicester City there are some 42% (34,100) of private sector homes which currently fail to meet the standard. This may reflect the fact that there is a higher level of pre-1919 stock within the City than elsewhere in the County. At a national level, 35.8% of private sector homes fall below the standard.³¹

6.108 **Public sector:** Blaby and Harborough have no social housing stock. Leicester, Oadby & Wigston and Hinckley & Bosworth have very low levels (0 – 4%) of non-decent homes. However, Charnwood (34%), Melton (10%) and North-West Leicestershire (55%) still have significant levels of non-decent LA homes

³⁰ Note the HMA comprises Leicester City and Leicestershire County Unitary Authority areas

³¹ English House Condition Survey 2007

but are due to receive funding from the current coalition government to address this particular issue.

6.109 **Registered Social Landlords (RSL)/Housing Associations:** There are a total of 1,635 RSL homes within Leicester and Leicestershire that fail to meet the Decent Homes Standard to include 1,177 RSL homes in Blaby (40.9%) recently transferred from the local authority to a Large Scale Voluntary Transfer organisation that is committed to bringing the stock up to standard.

Empty Homes

6.110 **Private sector:** Vacancy rates across Leicester and Leicestershire range from 0.1% in Melton to 3.1% in Leicester, reflecting the fact that the City has a larger percentage of private rented homes which have a higher turnover than other tenures.

6.111 **Public sector:** Given the current substantial demand for affordable housing, the shortfall in provision and reduced turnover of local authority tenancies in Leicester and Leicestershire, there are **very few public sector** empty homes available for letting.

Affordability and Affordable Housing

6.112 Though often used interchangeably, housing affordability and affordable housing are terms with distinct meanings.

- **Housing Affordability:** Relates to the general ability of households to access market housing, most often based on a comparison of incomes and house prices. Affordability can impact on any household, though they may not necessarily want or need (or be entitled to) affordable housing.
- **Affordable Housing:** Prescriptive term for housing provided specifically for households who are determined by policy to be in housing need. This includes social rented and intermediate properties.

Affordability

6.113 Affordability in Leicester and Leicestershire has been measured in relation to the ratio of incomes to house prices. A sustainable mortgage is argued to be up to 3.5 times household income. Affordability indicators suggest that house price differentials have led to some degree of polarisation of earnings across the sub-region, with higher value areas showing a higher median income and vice versa. Comparing lower quartile incomes with lower quartile house prices shows a worse picture of affordability (with house prices up to 10 times higher than lower quartile incomes).

- 6.114 Variations in house prices support previous evidence of ‘City Flight’ and ‘Escalator Model’ theories – wealthier households tend to move outwards away from the urban centre. Property prices may also have been driven upwards by speculative purchases and buy to let. Prices have risen substantially since 2004, and have largely been sustained despite the economic changes. Sales volumes have plummeted, however, and it is debatable whether some drop in price might make property more affordable and therefore stimulate market movement.
- 6.115 There is a contrast between property prices in urban and rural areas. This is likely to have an economic impact on the most expensive rural settlements as lower income households will be unable to afford to live there and local services may suffer as a result.
- 6.116 Many of the figures provided relate to average house prices and average incomes. The use of average provides an indication of affordability but masks wide variation. To understand the sub-region’s housing markets in more detail please refer to the analysis contained in the Leicester & Leicestershire Strategic Housing Market Assessment (2008).

Viability

- 6.117 The viability of development varies within and across districts. Each Local Authority has carried out a Viability Assessment which has guided policy decisions regarding affordable housing contributions. The findings emerging from these pieces of work were broadly:
- Policy choices which recommended either:
 - Single targets for the entire district which are likely to require grant in lower value areas, or
 - Differential targets to reflect values across the district (ranging from 10% to 40%)
 - Viability may be impacted by factors other than house prices
 - Thresholds triggering contributions may be set below the national indicative minimum (of 15 properties) without affecting viability.
 - Grant funding has a greater proportionate impact in weaker sub-markets
- 6.118 Each district has established a policy position based on this research and other factors through the political process. .

Affordable Housing Provision

- 6.119 Affordable Housing provision has varied substantially over time both within and across local authorities in Leicester and Leicestershire. It is difficult to draw any conclusions about trends in provision, except that the size and density of districts has some influence on the scale of provision.

- 6.120 The supply of affordable homes does not necessarily appear adversely affected by the economic downturn. It may be that schemes agreed during a healthier economy are coming through in later years, and may also be a reflection of the efforts of the Homes and Communities Agency to sustain the market with grant funding.
- 6.121 The provision of intermediate housing (products such as shared ownership or low cost home buy) has declined in general across the sub-region. The main explanation offered for this is that lenders are reluctant to offer mortgages on these products, viewing them as high risk.
- 6.122 The future supply of affordable housing is likely to be significantly affected by the position of the Homes and Communities Agency in relation to grant provision conditions, as outlined in their 2011-15 Affordable Homes Programme Framework.

Household Projections

- 6.123 The Government's 2008-based household projections indicate an average annual growth of 2% for the Leicester and Leicestershire HMA for the 25 year period to 2033 compared with 1.8% for England. This is a higher growth rate than achieved in the period 1991-2008 (0.9%). Across the whole HMA, one person households are projected to increase by almost 60% from 119,000 to 189,000 by 2033. However, this does not mean that all one person households will want small one bedroom accommodation. Projections by age of household indicate a 45% increase in households aged 65-84 and 150% for 85+ which will have implications for planning to meet the housing needs of elderly persons.

Planned Housing Growth

- 6.124 Notwithstanding the Coalition Government's clear intention to abolish the current regional planning tier, the existing approved regional spatial strategies still remain part of the statutory Development Plan until the enactment of the Localism Bill. The East Midlands Regional Spatial Strategy (RSS) requires Leicester and Leicestershire to deliver 80,400 new homes by 2026 or 4,020 per year. The RSS gives priority to urban concentration within the Leicester Principal Urban Area (PUA), and to a lesser extent the Sub-Regional Centres of Coalville, Hinckley, Loughborough, Market Harborough and Melton Mowbray, including Sustainable Urban Extensions (SUEs) as necessary. Almost 50% of future housing growth is currently focused on the Leicester PUA.

Housing Land Availability

- 6.125 Current City and District Strategic Housing Land Availability Assessments (SHLAAs) indicate that land is available to deliver just over 14,000 new homes

during the next five years April 2010 to March 2015. This equates to about 2,800 per year and is well below the RSS planned annual requirement of 4,020 dwellings. Several districts (as shown by Annual Monitoring Returns) currently do not have a five year housing supply as measured against the RSS annual house building requirement. Even where land does have extant planning permission, the provision of necessary infrastructure and housing market conditions will greatly influence whether the site will come forward for development. A suitable choice, type and size of housing, affordability and a high quality design and living environment which meet both general demand and identified affordable housing needs will also be key determining factors.

Funding

6.126 The detailed housing chapter has highlighted a number of challenges that will need to be addressed if the LEP area's housing offer is to both effectively provide for current population and household movement, and to act positively in attracting and securing labour to the sub-region. These challenges include:

- provision of sufficient affordable housing,
- ensuring housing is decent
- bringing empty properties back into use, and the
- delivery of significant numbers of new housing needed to support growth

6.127 In the past, the availability of public funding has helped to enable non-viable development sites to become viable, assisted in achieving affordable housing targets, pump-primed delivery of infrastructure for new developments and improved the quality of our stock. However, the significant reductions in the availability of public funding to support housing announced by the Coalition Government in October 2010 poses a very real threat to the quality and delivery of housing stock in the sub-region.

6.128 The same, and possibly worse, challenges exist in the private sector in terms of housing standards and quality. With increasing unemployment and difficulty in securing access to finance, the deterioration of private sector housing stock is a very real possibility as the economic climate shows little sign of recovery.

6.129 The lack of available funding has also the ability to impact upon the development sectors ability to deliver new housing of high quality and design. Whilst environmental targets are also increasing, such as the need to meet Code for Sustainable Homes Level 4 from April 2011 in return for funding from the Homes and Communities Agency, the ability of developers to afford to deliver these standards is questionable. This may lead to a either a poorer quality offer, or potentially a reduction in delivery as viability issues become more prevalent.

- 6.130 When it was completed in April 2009, the Leicester and Leicestershire Growth Infrastructure Assessment ³² identified a deficit in funding of circa £1.3bn. This study was undertaken when funding was more readily available to support delivery of infrastructure for new housing growth, thus this level of deficit is cautious given the scale of cuts to public funding. Whilst new delivery models are emerging to take the place of traditional funding streams, the performance of these in delivering housing and the associated infrastructure remains unknown. The role of the private sector is also expected to increase to compensate, but with so many projects being jointly public/privately funded over recent years it is difficult to see how this will occur.
- 6.131 Clearly, as is seen by the new delivery models of for example; New Homes Bonus and the Affordable Rent Programme, new ways of working together, prioritisation and funding mechanisms will need to emerge in order to continue to ensure that Leicester and Leicestershire has a good housing offer of a variety of types and tenures at a high quality in a variety of locations and well functioning market.
- 6.132 Our Challenge is to make sure new housing products are what people want to live in, to avoid significant future voids. For example, the 'market' demand for buy-to-let apartments did not reflect where/how single/couple households want to live. In terms of housing projections, not all single people will chose to buy one bedroom accommodation and not all older households with support needs, will choose to live in supported housing. However, it is therefore recognised that new development cannot be entirely aspirational and that the availability of adequate resources should also be a key consideration.

³² http://www.leicestershiretogether.org/infrastructure_assessment_main_report.pdf

Housing SWOT

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Relatively moderately priced housing within the overall UK housing market context • A good mix of types and sizes of housing across the wider conurbation and county • Many attractive areas and environments with high quality and luxury housing • Established working arrangements with a strong track record of delivery during a strong housing market • A good mix of communities and neighbourhoods meeting the needs of people from a variety of different backgrounds. • House prices have generally been sustained despite the down turn in the economic climate • The HMA is geographically well placed with good access to communication links and a number of key cities. • Wide range of developers interested in and active within the HMA. • Availability of good, viable and profitable housing sites. • Past delivery performance strong 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Shortfall of affordable housing compared to need, especially in suburban and rural areas. • Viability issues: Developers reluctant to provide affordable housing, lack of skills to counter developer's calculations. • Imbalances between housing sub-markets leading to: <ul style="list-style-type: none"> ○ Poor viability of sites, especially in parts of the city, ○ Areas of lower value and non decent stock depreciating values and increased polarisation. ○ City flight (people leaving the city as they become more affluent) • Imbalances of occupancy levels, overcrowding in some areas and under-occupation in others • Some polarised tenure. • Mismatch between housing need and demand versus availability • Substantial areas of non decent stock, particularly within the private sector. • Continued market dysfunction restricts supply of new housing which has knock on affect on affordable housing and affordability. • Different affordable housing policies, contributions and design standards may result in competitive approach between authorities.
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • The Leicester and Leicestershire Enterprise Partnership will facilitate opportunities for prioritisation, value for money and maximising limited public resources. • Government incentives to support building such as New Homes Bonus. • Removal of top down targets and prescribed processes promotes flexibility in working with communities, private and voluntary sectors to reduce barriers to the delivery of a balanced housing market. • Regeneration and SUE's provide opportunity to align housing and employment land to provide more mixed communities, less polarisation, and a better balance between supply and demand • Planned housing growth/regeneration could have a positive impact on jobs in the construction and sustainability/energy efficiency sectors. • Good housing offer and competitive house prices in advantageous geographical position to attract households • Proposed relaxation of the GPDO to allow the conversion of B class uses to residential use. 	<p>THREATS</p> <ul style="list-style-type: none"> • General uncertainty surrounding housing finance and planning reform that may delay or reduce construction of new homes, or allows developers to drive housing delivery that may not meet demand. • Viability issues may prevent delivery of affordable housing or essential infrastructure or services and may increase as a result of funding reductions. • New delivery models are untested in their reliability to deliver sufficient new homes. • Possible local opposition remains a threat to delivery. • Generally volatile housing market. Difficulties understanding how to create a well functioning market. • Ageing population leading to increased under-occupation of housing • Over focus on new rather than existing stock. • Continued polarisation between housing sub-markets. • Over-supply of particular types of housing, such as city centre flats. • Lack of suitable housing in the city causing city flight. • Reductions in funding, increasing unemployment, difficulties accessing finance, increasing interest rates and economic hardship leading to exacerbation of increasing numbers of empty properties, more non-decent homes and poorer quality housing particularly in unpopular sub-market areas. • High priced sites in suburban and rural areas leading to development of expensive up market housing alone rather than balanced communities

	<ul style="list-style-type: none">• Competing cities and other growth areas attracting graduates and skilled workers away with a better housing and environmental offer.• Expensive housing in rural areas, leading to a potential loss of young people and impact on the economy. It is likely there will be increased demand on the profit element of development, for things such as: CIL, Code for Sustainable Homes, contributions to community facilities etc.
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