



APRIL 2022,  
UPDATED  
JUNE 2022

# Leicestershire Housing & Economic Needs Assessment – Appendices

Iceni Projects Limited on behalf of  
L&L Local Authorities

April 2022, Updated June 2022

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**Leicestershire Housing & Economic  
Needs Assessment – Appendices**



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# 1. FUNCTIONAL HOUSING & ECONOMIC GEOGRAPHIES

1.1 The 2017 Leicester and Leicestershire HEDNA<sup>1</sup> assessed and considered what Housing Market Areas (HMAs) and Functional Economic Market Areas (FEMAs) the Leicester and Leicestershire authorities sat within. The main analysis was set out in Appendices 1 and 2 therein and addressed the key indicators set out for defining such areas in Planning Practice Guidance.<sup>2</sup>

1.2 This Appendix reviews the latest evidence to consider whether the conclusions drawn regarding these functional geographies in the 2017 HEDNA continue to hold true. The approach adopted recognises that the definition of these areas typically draws on Census data on migration and commuting flows and self-containment, and that data from the 2021 Census on these dynamics is not available at the current time.

## **What are Housing & Functional Economic Market Areas?**

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1.3 A housing market area is a “geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work.”<sup>3</sup>

1.4 A *functional economic market area* is intended to relate to the geography of commercial property markets having regard to issues such as areas with a common identity, and areas of search for premises having regard to factors such as labour market catchments and infrastructure. It can be understood as an area with mutual locational characteristics within which businesses will look for property and where new developments might compete to secure tenants/ occupiers.

1.5 The intention in planning policy/guidance is typically that single HMA/ FEMA areas will be defined; and it is commonly understood that these are likely to be fairly well aligned.

1.6 HMA and FEMA boundaries do not stop and start at administrative boundaries. However it is often commonplace (and practical) to define them using local authority boundaries. This is because many of the key datasets used in assessing housing and economic development need (such as the household projections and economic forecasts) are only published at a local authority level. In many areas, a pragmatic response has therefore been to define HMA/ FEMA geographies at a local authority level. These issues were touched upon in the Planning Advisory Services (PAS) Technical

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<sup>1</sup> [https://www.nwleics.gov.uk/pages/housing\\_and\\_economic\\_development\\_need\\_assessment\\_hedna](https://www.nwleics.gov.uk/pages/housing_and_economic_development_need_assessment_hedna)

<sup>2</sup> See <https://www.gov.uk/guidance/plan-making>

<sup>3</sup> PPG ID: 61-018-20190315

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Advice Note on Objectively Assessed Housing Need and Housing Targets (July 2015) which concluded that “it is best if HMAs, as defined for the purpose of needs assessments, do not straddle local authority boundaries. For areas smaller than local authorities data availability is poor and analysis becomes impossibly complex..”

- 1.7 However in reality there will be instance different sub-market geographies or geographies which are more appropriate to different economic sectors. Icenl has sought to have regard to these factors – and cross-boundary interactions/influences beyond Leicestershire - in this report where appropriate.

### **The 2017 HEDNA Findings**

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- 1.8 The 2017 HEDNA examined the extent of the housing and functional economic market areas in great detail. It considered national research on housing market geographies across England led by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University for Central Government which identified that the majority of Leicestershire (including its main towns) fell within a Leicester-focused Housing Market Area as well as research at a regional level across the East Midlands which had drawn similar conclusions. It then interrogated house price variation, house price growth, migration flows and self-containment (using 2011 Census data), commuting flows/relationships and the ONS-defined Travel to Work Areas (again using 2011 Census data). The report confirmed that the study area, covering the County of Leicestershire together with Leicester City, was a reasonable approximation for the HMA, concluding:

*“there is a high level of self-containment in Leicester and Leicestershire. We consider that there is a single housing market centred around the City of Leicester but covering the entire study area. That said, functional market areas clearly do not precisely fit to local authority boundaries; and at the borders of any area which is defined there are often interactive links mainly with the adjoining areas.”*

- 1.9 A ‘best-fit’ housing market area based on local authority boundaries thus included Leicester and all of the Leicestershire authorities. The Study however identified housing market inter-relationships with some surrounding areas including between parts of NW Leicestershire and South Derbyshire; between parts of Melton and Rushcliffe in Nottinghamshire; and with Nuneaton and Bedworth in Warwickshire.
- 1.10 The HEDNA similarly defined a Leicester and Leicestershire Functional Economic Market Area (FEMA) reflecting strong economic relationships between the City of Leicester and Leicestershire and high commuting self-containment within the area, the LEP geography (which was established in 2010 to reflect functional economic boundaries) and coordination of wider administrative functions at this level, the retail hierarchy and role of Leicester City Centre and Fosse Park as higher order centres which attract shoppers from across Leicestershire, as well as the concentration of

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leisure/cultural facilities in Leicester (and to a lesser extent Loughborough). The area's transport infrastructure was also considered with many primary routes originating or terminating in Leicester.

- 1.11 The analysis did however note some leakage of retail expenditure to surrounding cities such as Nottingham, Peterborough and Derby as well as Birmingham. It also noted the existence of the logistics 'Golden Triangle' formed by the M41, M1 and M6 motorways which includes parts of Leicestershire as well as Warwickshire.
- 1.12 The migration and commuting flow and self-containment data used in the 2017 HEDNA was largely drawn on the 2011 Census which has not been updated therefore this element of the analysis has not been reviewed herein as the analysis in that report remains up-to-date. This is commonly an important component of defining HMA/FEMA boundaries. The approach in this Assessment has therefore been to consider more recent data, where available, and to test whether the 2017 HEDNA findings hold true.

### **Reviewing the Housing Market Geography**

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- 1.13 The migration and commuting flow data used in the 2017 HEDNA was largely drawn on the 2011 Census which has not been updated therefore this element of the analysis has not been reviewed as the analysis in that report remains up-to-date. We have however herein sought to updated the analysis in relation to house prices and house price change. It is also possible to look at migration trends from more recent ONS data between local authority areas (although this does not include movements within a local authority therefore it is not possible to calculate self-containment rates).

### **Migration Flows**

- 1.14 The ONS provides annual data on internal migration flows (both in- and out- migration flows) which is informed by a range of official datasets including NHS GP registrations data (which records when people change their GP).
- 1.15 We have sought to appraise gross migration flows (the sum of flows in both directions) between areas to understand the relative strength of housing market interactions between different local authorities. We use gross flows to understand the strength of the migration relationship between areas, and then benchmark them against the combined population size of the two local authorities to understand the relative strength of links. This recognises that two larger authorities will have a larger absolute flow than smaller authorities. The table below shows the top five flows for each of the study area authorities.

**Table 1.1 Top Gross Migration Flows with Leicester and Leicestershire per 1,000 Population**

|                       | 1st                         | 2nd                        | 3rd                                   | 4th                        | 5th                        |
|-----------------------|-----------------------------|----------------------------|---------------------------------------|----------------------------|----------------------------|
| Leicester             | Oadby & Wigston (99.2)      | Blaby (74.8)               | Charnwood (73.4)                      | Harborough (30.1)          | Hinckley & Bosworth (27.0) |
| Blaby                 | Leicester (74.8)            | Hinckley & Bosworth (66.5) | Oadby & Wigston (51.5)                | Harborough (47.2)          | Charnwood (28.6)           |
| Charnwood             | Leicester (73.4)            | NW Leics (46.6)            | Blaby (28.6)                          | Hinckley & Bosworth (27.5) | Melton (23.7)              |
| Harborough            | Blaby (47.2)                | Oadby & Wigston (44)       | Leicester (30.1)                      | <b>Kettering (28.2)</b>    | <b>Daventry (20.8)</b>     |
| Hinckley and Bosworth | Blaby (66.5)                | NW Leics (37.8)            | <b>Nuneaton &amp; Bedworth (37.7)</b> | Charnwood (27.5)           | Leicester (27)             |
| Melton                | <b>Rutland (32.6)</b>       | Charnwood (23.7)           | <b>Rushcliffe (22.1)</b>              | <b>S. Kesteven (21.2)</b>  | Harborough (7.7)           |
| NW Leics              | <b>S. Derbyshire (64.5)</b> | Charnwood (46.6)           | Hinckley & Bosworth (37.8)            | <b>Rushcliffe (17.5)</b>   | Leicester (14.2)           |
| Oadby and Wigston     | Leicester (99.2)            | Blaby (51.5)               | Harborough (44)                       | Charnwood (13.5)           | Hinckley & Bosworth (9.6)  |

Source: Internal migration - Matrices of moves between local authorities year ending June 2019 (Red = External to study area).

- 1.16 With the exception of Melton and NW Leicestershire, analysis of the latest migration flow data shows the strongest relationship in six of the study areas eight local authorities is with another authority in the study area. In addition only Melton has a relationship with Leicester outside of its top 5 relationships (seventh).
- 1.17 In the case of Melton, as illustrated in Figure 8 of the 2017 HEDNA Appendix, with the exception of Charnwood its major flows have always been with external local authorities. If in and out migration are looked at in isolation the largest in flow is from Charnwood. Rather than suggesting that Melton is in a different HMA this would reconfirm that it is on the edge of a Leicestershire HMA but has some relationships with areas external to it.

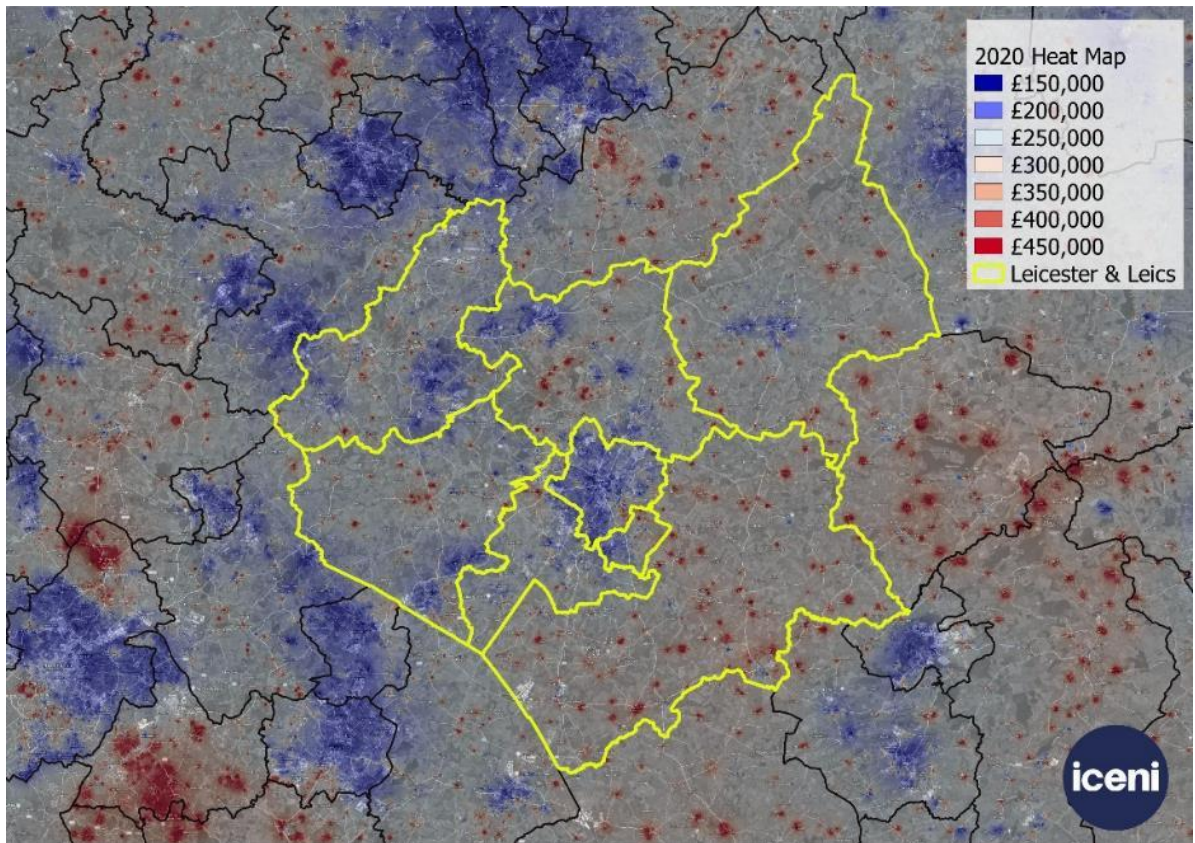
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- 1.18 A similar assumptions can be made about North West Leicestershire which in gross terms has its strongest relationship with South Derbyshire which was also previously the case (see Figure 8 of 2017 HEDNA Appendix). Again If in and out migration are looked at in isolation the largest in flow is from Charnwood. South Derbyshire is closely linked to Derby City to the extent that some of the City's urban extensions fall within South Derbyshire.
- 1.19 The 2017 HEDNA also tested the self-containment of a combined North West Leicestershire DC and South Derbyshire DC area. This calculated a self-containment rate of is 64% for in-flows and 66.5% for out-flows (when long distance moves were excluded). Thus the area was not considered as a HMA on its own right.
- 1.20 Overall this information has not changed significantly enough since the 2017 HEDNA, therefore suggesting that the extent of the HMA has not changed either.

#### **House Prices and House Price Change**

- 1.21 The PPG indicates that when identifying HMAs the "relationship between housing demand and supply across different locations, using house prices and rates of change in house prices" should be considered. It goes on to say that "this should identify areas which have clearly different price levels compared to surrounding areas."
- 1.22 The map below examines the cost of housing in Leicester and Leicestershire and clearly demonstrates an urban/rural divide which also reflects the size and type of homes being sold – with typically a higher proportion of sales of smaller properties in urban areas.
- 1.23 The data clearly shows higher house prices in Harborough and some rural parts of Melton District in comparison to the other local authorities in the study area. Leicester has lower house prices that other parts of the study, again this can at least in part, be attributed to the housing mix in the City.



Figure 1.1: House Prices - Heatmap (2020)



Source: HM Land Registry, 2021

- 1.24 The table below analyses house prices by type (to account for the difference in sales profile) by local authority. House prices are generally similar, sitting in a band between the regional and national average for most house types, with the exception of Harborough which commands higher house prices. Values in the south of the county are higher than in the north.

Table 1.2 Median House Prices by Type, Year to Sept 2020

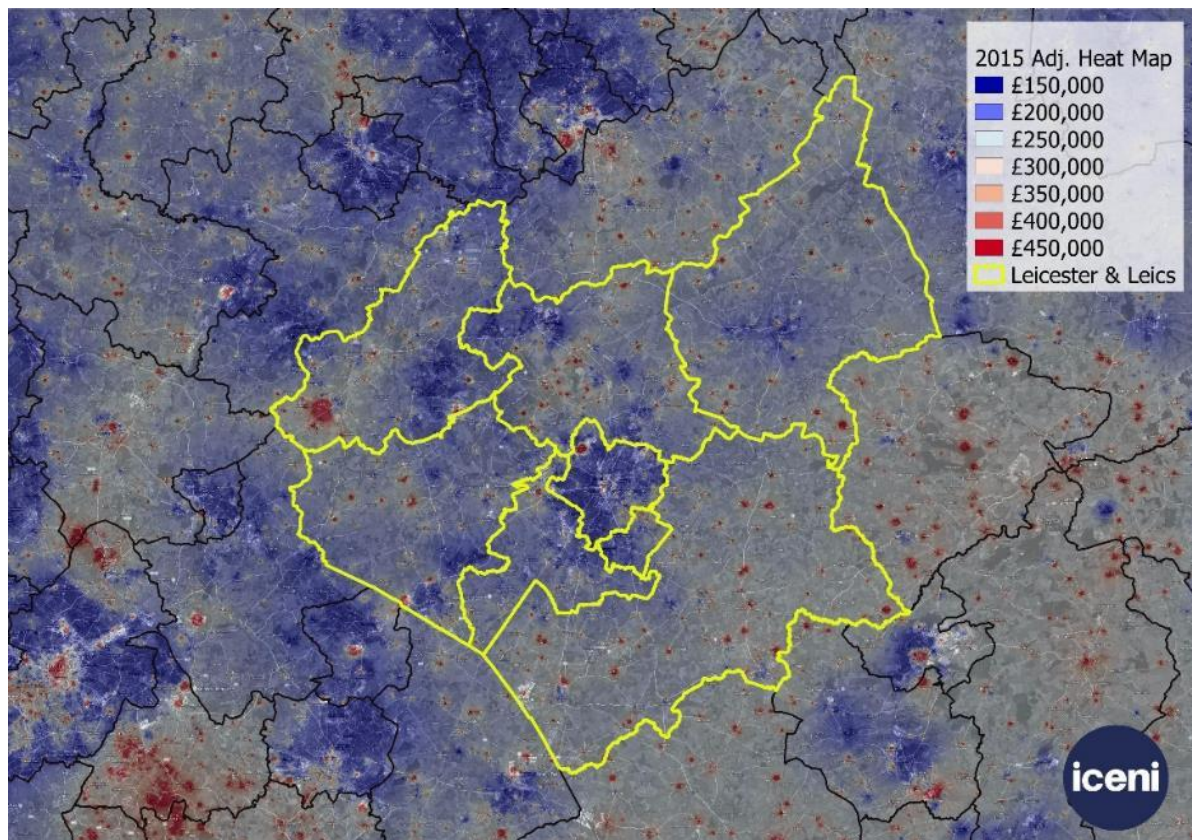
|                                  | Detached | Semi-Detached | Terraced | Flat/Maisonette |
|----------------------------------|----------|---------------|----------|-----------------|
| <b>Harborough</b>                | £369,950 | £237,000      | £209,750 | £153,000        |
| <b>Oadby and Wigston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

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

- 1.25 The map below examines house prices in 2015 as used in the 2017 HEDNA. These prices have been adjusted by house price inflation to allow for fairer comparison to the map above. Overall it would appear that house prices in the study area have risen at a rate above inflation (i.e. in real terms), particularly in Melton, over the 2015-20 period.
- 1.26 However broadly a similar patterns emerges of the housing price geography across the study area with Harborough having higher house prices and Leicester having the lowest house prices. This would suggest that the HMA boundaries have not significantly changed.

**Figure 1.2: House Price Heatmap – Inflation Adjusted (2015)**



Source: HM Land Registry, 2021

- 1.27 This also applies to neighbouring areas with the major cities of Birmingham, Coventry, Nottingham and Derby having lower house prices in both 2015 and 2020. The same can also be said of smaller settlements in Corby and Kettering to the South East.
- 1.28 Areas of higher values are also consistent including Daventry, Rutland and Lichfield. This would again suggest that the wider area house prices and HMA boundaries, by this measure at least, have not changed.

1.29 The table below shows house prices changes by local authority over the last 5 and 10 years. We again see a general similarity in the value growth, albeit that Harborough and Oadby and Wigston stand out as having seen comparatively stronger house price growth. Both of these authorities however show strong migration relationships to Leicester and other Leicestershire authorities.

**Table 1.3 House Price Growth in L&L Local Authorities**

|                                  | 5 Year  | 10 Year |
|----------------------------------|---------|---------|
| <b>Leicester</b>                 | £50,000 | £60,000 |
| <b>Blaby</b>                     | £49,000 | £76,000 |
| <b>Charnwood</b>                 | £50,000 | £73,750 |
| <b>Harborough</b>                | £59,998 | £89,998 |
| <b>Hinckley and Bosworth</b>     | £35,000 | £50,003 |
| <b>Melton</b>                    | £42,000 | £59,000 |
| <b>North West Leicestershire</b> | £47,500 | £77,500 |
| <b>Oadby and Wigston</b>         | £66,500 | £83,525 |
| <b>L&amp;L HMA</b>               | £51,499 | £73,101 |
| <b>East Midlands</b>             | £39,950 | £56,950 |

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

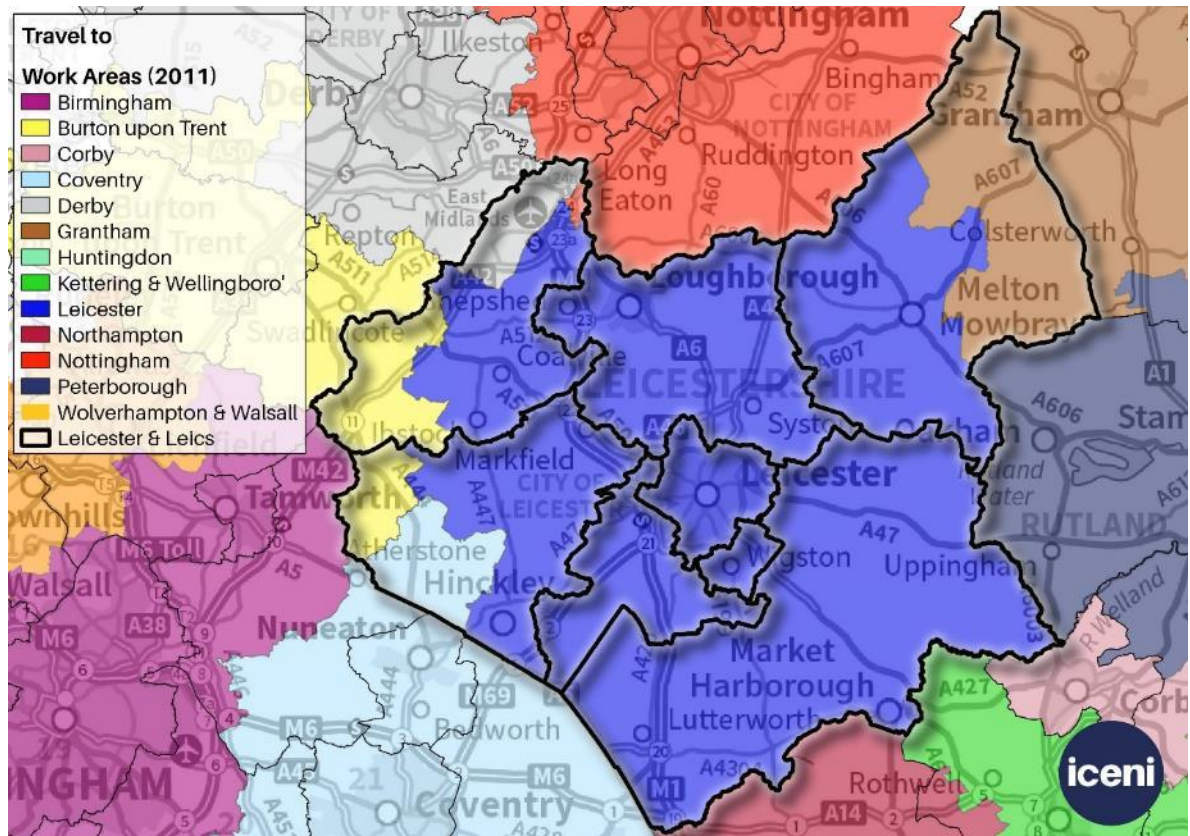
#### Drawing the Evidence Together – HMA Geography

1.30 The evidence presented herein presents no clear evidence to that the HMA boundaries have changed. This evidence should also be read alongside that within the Appendix of the 2017 HEDNA which shows:

- Silver-Standard HMA Boundaries produced by the Centre for Urban and Regional Development at the University of Newcastle identified a single HMA which covered the study area;
- The vast majority (in population and land mass) of the Study area within Leicester Travel to Work Area as defined by ONS including the main towns; and
- Leicester and Leicestershire achieved self-containment rate of over 90% when long distance moves are excluded.

1.31 The ONS Travel to Work Area geography is set out below and shows that the main market towns across Leicestershire all fall within the Leicester TTWA. In North West Leicestershire, Castle Donnington is shown as on the boundary between the Leicester and Derby TTWAs, with Appleby Magna and Measham relating more towards Burton-on-Trent. In Melton Borough, the rural east of the District including Bottesford is shown as within a Grantham-based TTWA. Some rural settlements in the south-west of Hinckley and Bosworth District are shown relating more towards Coventry or Tamworth.

Figure 1.3: ONS Travel to Work Area Geography



Source: ONS 2011-based Travel to Work Areas

- 1.32 Therefore we are content that the ‘best fit’ HMA boundary, based on the current information, remains coterminous with the study area. That said, functional market areas clearly do not precisely fit to local authority boundaries; and at the borders of any area HMA there are often links with the adjoining areas as identified.
- 1.33 Whilst these conclusions are influenced 2011 Census patterns (and evidently the current pandemic could have a longer-term impact on working patterns) it is the best comprehensive information currently available. However it means that as and when more up-to-date data is published, such as from the 2021 Census, it would be appropriate to revisit these findings.
- 1.34 It will be therefore important for the Councils to continue to liaise with surrounding authorities on strategic planning matters including a discussing any issues associated with unmet housing needs which cannot be addressed within Leicester and Leicestershire or arise (and cannot be met) in surrounding areas with which there is a strong connection.

### Reviewing the Functional Economic Market Area Geography

- 1.35 There are a range of administrative and economic organisations which are structured around a Leicester and Leicestershire geography including the Local Enterprise Partnership, the county

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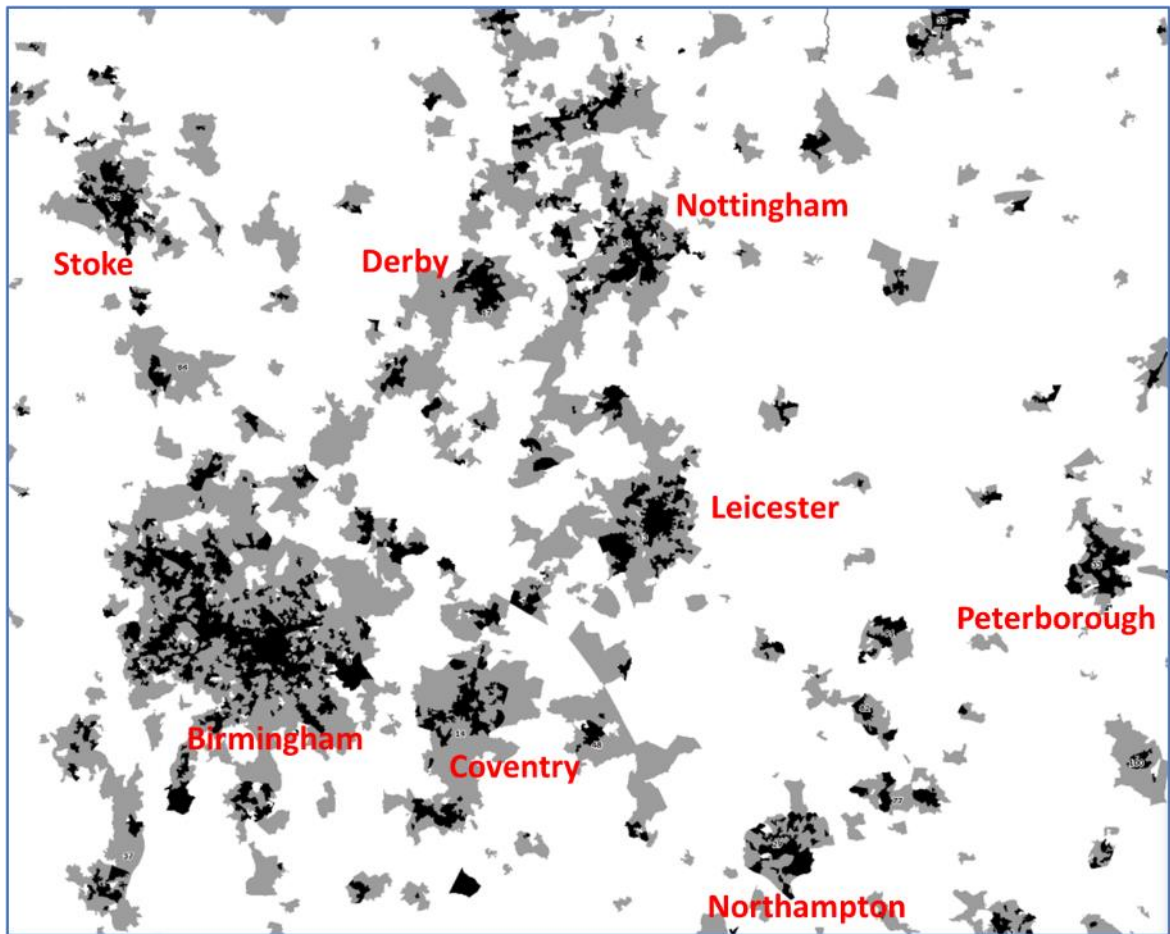
administrative boundary, the Police and Fire and Rescue Service, the Leicestershire Partnership NHS Trust and the Clinical Commissioning Group (which in addition includes Rutland). It has commonly been recognised as the relevant Housing Market Area; and transport planning has also been coordinated at this level with Leicester City and Leicestershire County working together to define and coordinate strategic transport priorities.<sup>4</sup>

- 1.36 However to confirm the FEMA geography, Cambridge Econometrics have undertaken some further work to examine economic inter-relationships. This draws on a recent methodology developed by CE and academic collaborators devised a new, more robust and accurate means of capturing the true underlying spatial patterns of economic activity using LSOA-level data.
- 1.37 Using LSOA level employment data, a map has been constructed of the distribution of economic activity within the central Midlands in 2020, centred around Leicester. We classify LSOAs with employment density < 100jobs/sqkm as “low density” (shown in Figure 2.4 as White), 100-1000 jobs/sqkm as “medium density” and >1000 jobs/sqkm as high density. The City can be seen to be located on the eastern fringe of a polycentric ring of medium-large cities spanning the East and West Midlands.
- 1.38 The economic geographical context of Leicester is asymmetric, with a less populated, more rural expanse to the east of the city. The county’s economic activity overlaps with that of neighbouring areas, most notably Nottingham to the north and Coventry to the south.

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<sup>4</sup> Leicester and Leicestershire Strategic Transport Priorities 2020-2050  
<https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2020/11/23/Leicester-and-Leicestershire-Strategic-Transport-Priorities-LLSTP.pdf>

Figure 2.4: High Density (Black), Medium Density (Grey) and Low Density (White) Employment Areas in the Central Midlands

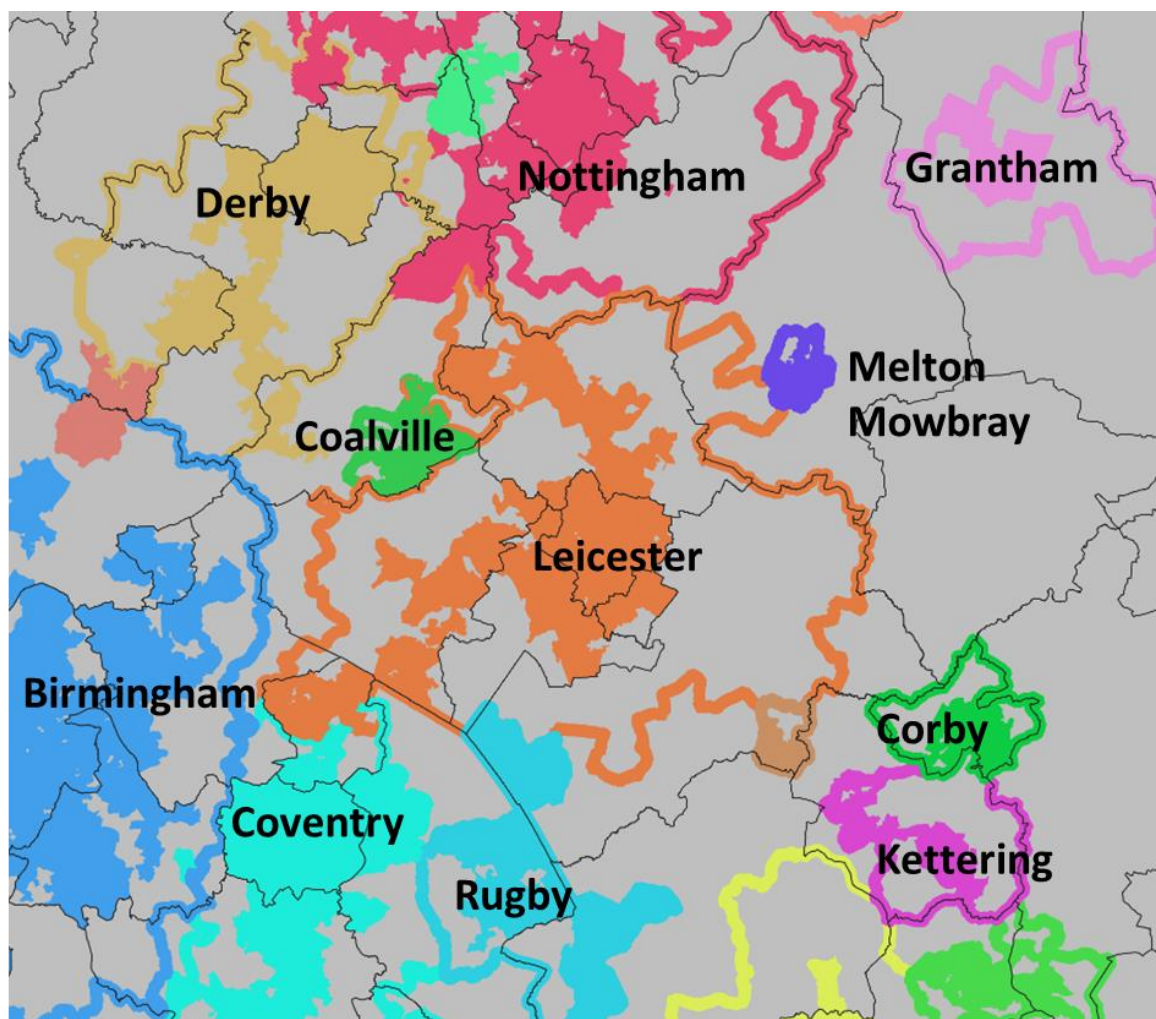


Source: Cambridge Econometrics

- 1.39 By classifying these aggregations of medium density employment according to total job numbers, we are able to identify that Leicester is the 13th largest such area in Britain. The Leicester medium density employment zone is shown in the figure below, extending to the north and south west of the city, along with all other aggregates of over 10,000 total jobs. The solid block colours (in orange for Leicester) are the separate aggregations of employment density of above 100 jobs/sqkm.
- 1.40 Also demarcated in matching outline are the surrounding commuting zones: this is the area within which 25% of the employed residents commute into the associated employment zone. This is a useful guide as to the dimensions and geography of the Greater Leicester FEMA.
- 1.41 The Leicester commuting zone forms a rough ring around the City, where it overlaps with Coalville, Melton Mowbray, Market Harborough, Nottingham, Coventry and Rugby.
- 1.42 To the east of Leicester is a rural area with no sizeable economic aggregates of above 10,000 total jobs. Economic reality tends to be “messy” in such a way, with overlaps and gaps.

- 1.43 As smaller settlements, Coalville, Melton Mowbray and Market Harborough can be thought of as satellites of the main Leicester hub, whilst Nottingham and Coventry are better characterised as neighbouring hubs.

**Figure 1.5: Medium Density Cores (Solid) and Commuting Zones (Outline) in the Central East Midlands**

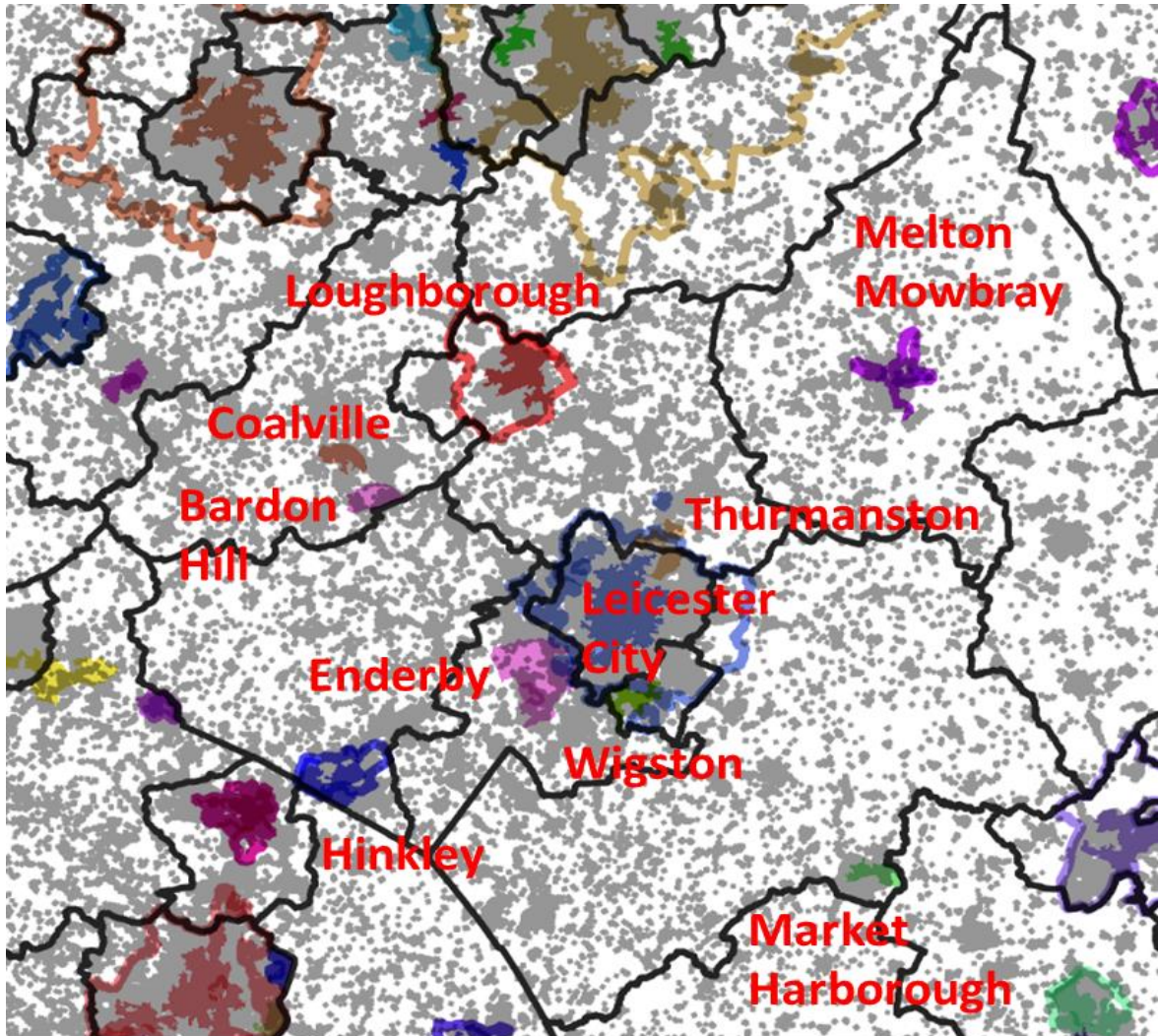


Source: Cambridge Econometrics

- 1.44 The analysis thus reinforces the 2017 HEDNA findings of a Leicestershire FEMA with a central City and wider hinterland; with market towns sitting – Coalville, Melton Mowbray, Hinckley & Burbage and Market Harborough – sitting within this. Leicester’s influence appears to also extend across the A5 to Nuneaton. However Lutterworth is shown as relating more strong towards Rugby; and Castle Donnington/Kegworth towards Nottingham.
- 1.45 We can zoom into the Leicester Commuting Zone to identify the underlying structure of high-density employment. We can identify 10 aggregates of high-density employment activity of greater than 5000 total jobs within the county boundary: these are labelled below. Leicester City is the largest aggregate of high-density activity with 112,000 jobs (19th largest in Britain). There are then edge-of-city

employment clusters in Enderby, Wigston and Thurmanston, along with 6 other high-density cores within the wider county, the largest of which is Loughborough.

Figure 1.6: High Density Cores (Solid) and Commuting Zones (Outline) in Leicestershire



Source: Cambridge Econometrics

1.46 The analysis confirms that the Leicester and Leicestershire area remains a good approximation for the Greater Leicester FEMA albeit that there is some overlap and inter-dependence in the north and west:

- In the north of the county there is some overlap along the M1/ A6 towards Nottingham which includes areas around East Midlands Airport and Castle Donnington; and
- In the west of the County, there is some overlap down the M69 and A5 with the Coventry & Warwickshire FEMA.



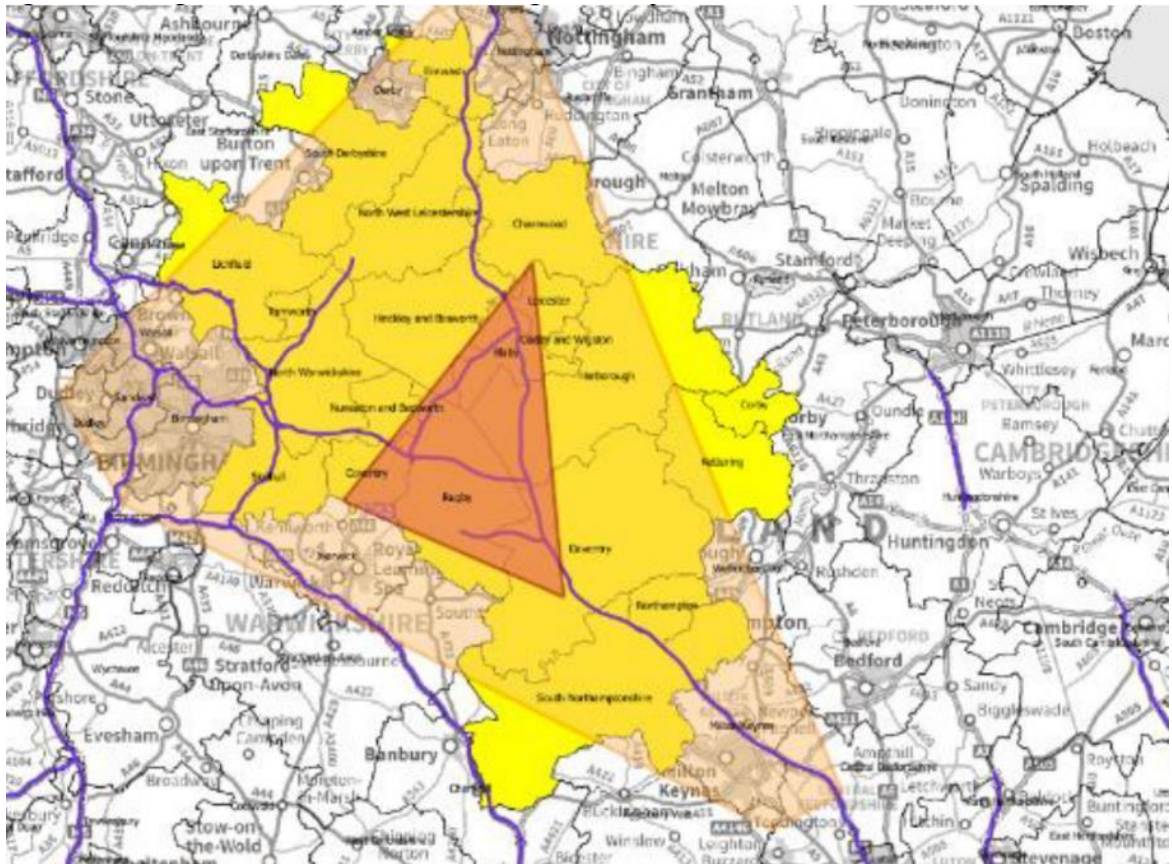
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- 1.47 In addition the evidence indicates that the north-eastern part of Leicestershire, beyond Melton Mowbray and including settlements such as Bottesford, are less well integrated into the Leicester economy, with relationships towards Grantham and Nottingham.

### **Strategic Distribution Market**

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- 1.48 Whilst the above analysis represents an appropriate definition of the FEMA for economic activity overall (across sectors), it is important to recognise that there are different locational considerations which influence different types of economic activities. Of particular importance to this sub-region, given its economic structure and broader locational characteristics, is warehousing and strategic distribution.
- 1.49 Planning Practice Guidance recognises that the logistics industry plays a critical role in enabling an efficient, sustainable and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities, and has distinct locational requirements that need to be considered in formulating planning policies (separately from those relating to general industrial land). Strategic facilities serving national or regional markets are likely to require significant amounts of land, good access to strategic transport networks, sufficient power capacity and access to appropriately skilled local labour. Where a need for such facilities may exist, strategic policy-making authorities should collaborate with other authorities, infrastructure providers and other interests to identify the scale of need across the relevant market areas.

Figure 1.7: Wider Logistics Golden Triangle Geography



- 1.50 These issues have been considered as part of the 2021 Warehousing and Logistics in Leicester and Leicestershire Study which identifies an integrated distribution market which includes 21 local authorities extending along the M1 from Milton Keynes to Nottingham and across to Birmingham. The prime location within this area – the core Golden Triangle – stretches from Leicester to Rugby and Coventry. This geography reflects the area’s central location within England and strategic road and rail connectivity (with most major population centres within a 4.5 hour drivetime).

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## 2. REVIEW OF BASELINE ECONOMIC PROJECTIONS

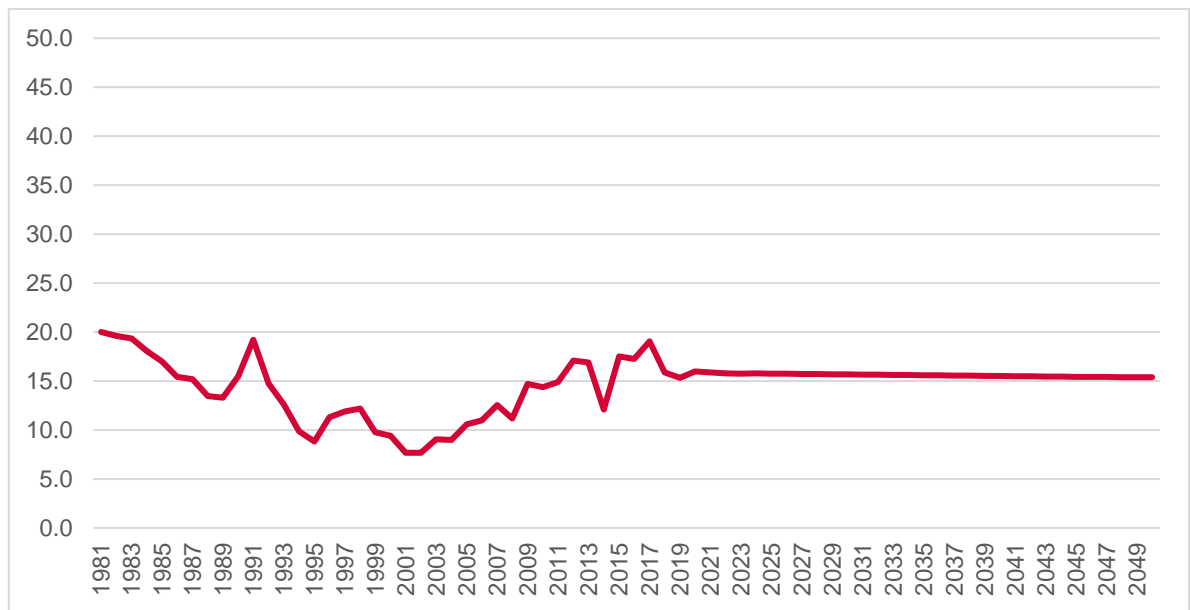
- 2.1 This section reviews the 'baseline' trend-based projections for employment growth in Leicester and Leicestershire.
- 2.2 The local area baseline projections are based on historical growth in the local area (i.e. the relevant local authority) relative to the region (East Midlands) or UK (depending on which area it has the strongest relationship with), on a sector-by-sector basis. They assume that those relationships continue into the future. Thus, if a sector in the local area outperformed the sector in the region (or UK) as a whole in the past, then it will be assumed to do so in the future. Similarly, if it underperformed the region (or UK) in the past then it will be assumed to underperform the region (or UK) in the future.
- 2.3 They further assume that economic growth in the local area is not constrained by supply-side factors, such as population and the supply of labour. They assume that there will be enough labour (either locally or through commuting) with the right skills to fill the jobs. If, for example, in reality, the labour supply is not there to meet projected growth in employment, growth could be slower.
- 2.4 The measure of employment is workplace-based jobs, which include full-time, part-time and self-employed. The analysis below considers employment by sector.

### **Agriculture, Mining & Utilities**

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- 2.5 Employment in agriculture, mining and utilities fell during the 1980s and 1990s, but has been growing since the early 2000s. The baseline forecasts expect some continued growth, with overall 200 additional jobs created between 2019-41. This is driven by growth in employment in agriculture and forestry (+1400) offset by net reductions in mining/quarrying and electricity and gas.

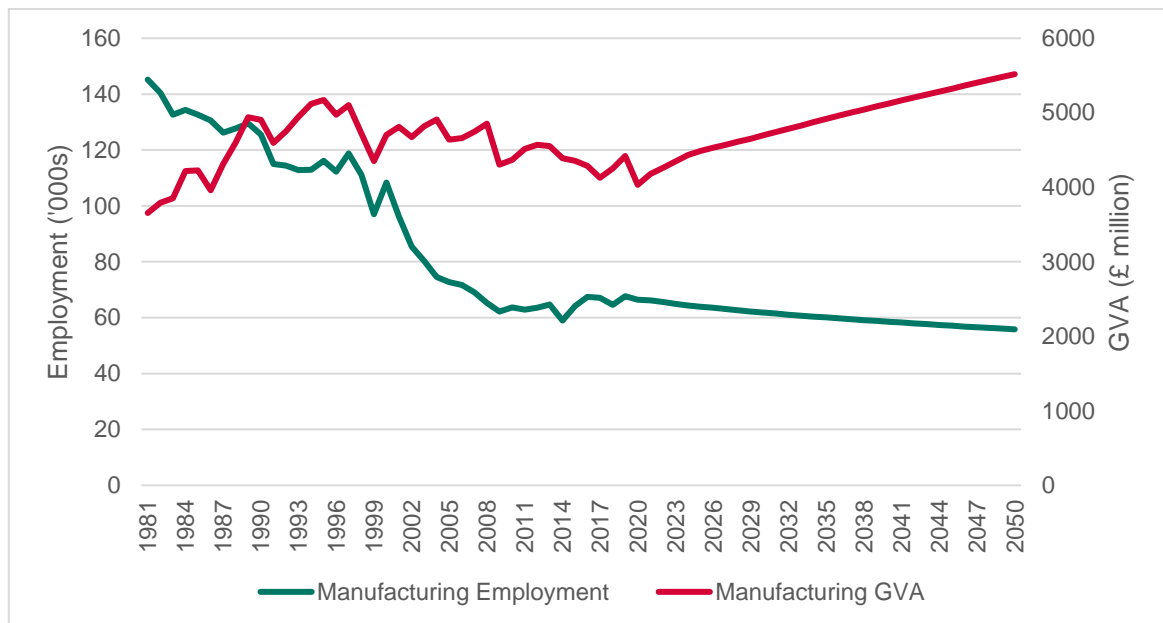
**Figure 2.1: Employment- Agriculture, Mining and Utilities**



### **Manufacturing**

- 2.6 The long-term trend in the Study Area has been of contracting employment, influenced by some economic restructuring but also productivity improvements. As the graph below shows, manufacturing GVA has seen a modest downward trend since the mid 1990s. However employment in the sector, having declined in the 1980s, 1990s and much of the 2000s, has remained relatively stable over the last decade (and indeed increased slightly).
- 2.7 The baseline forecasts point to a relatively positive outlook for growth in GVA, which is forecast to grow by 0.7% pa, but a modest decline in employment (-0.7% pa) influenced by productivity improvements. This results in a reduction in employment of 9,500 between 2019-41.

**Figure 2.2: Manufacturing GVA and Employment**

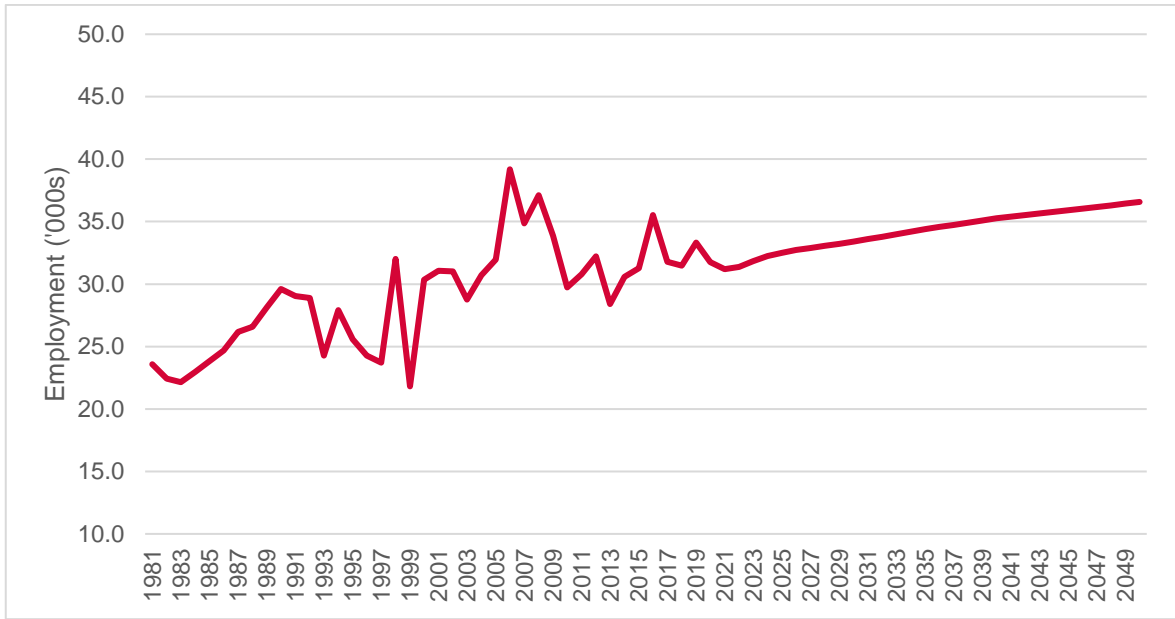


2.8 Within the manufacturing sector, employment growth is forecast in food and drink manufacturing (+3,500 to 2041) and other manufacturing (+300). However this is offset by losses in other sub-sectors including textiles (-4,000) and metals (-2,600).

**Construction**

2.9 Construction is a sector where employment has been relatively cyclical. The projection of future growth is consistent with the longer-term trend, as the graph below shows, resulting in employment growth of 2,100 over the 2019-41 period. This contrasts for instance to a modest contraction of employment over the last decade.

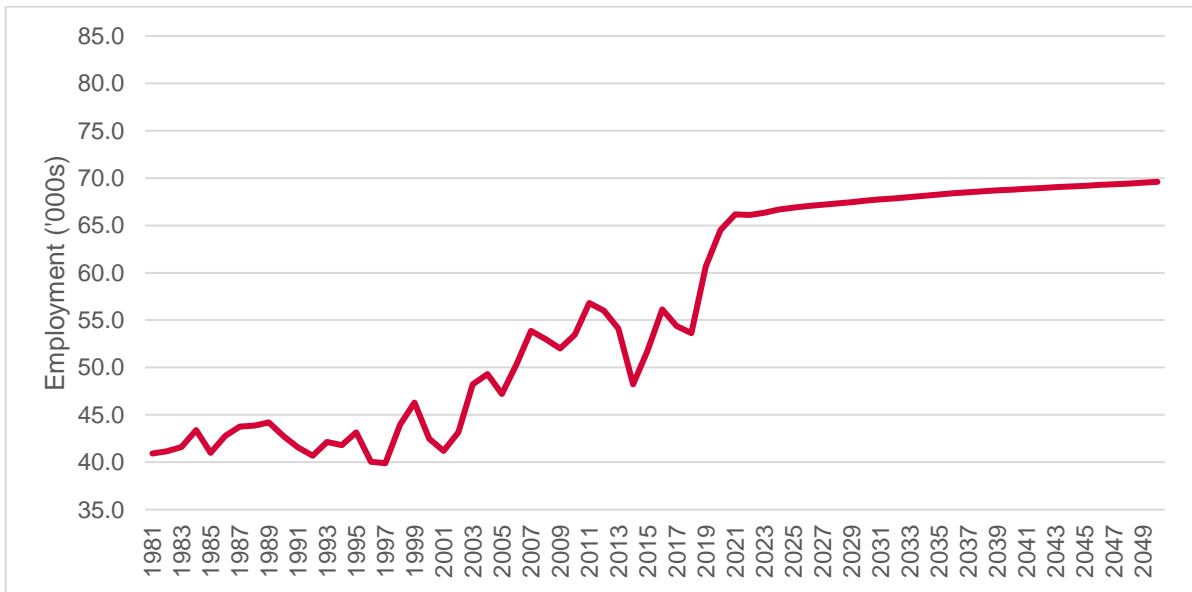
**Figure 2.3: Construction Employment Projection**



**Wholesale, Transport and Warehousing**

2.10 The wholesale, transport and warehousing sector is one includes warehousing and logistics activities. It sees relatively strong employment growth of 8,200 over the 2019-41 period with particularly strong growth in the short-term as shown below. This is driven by growth in the warehousing and postal sector.

**Figure 2.4: Wholesale, Transport and Warehousing Employment Projection**



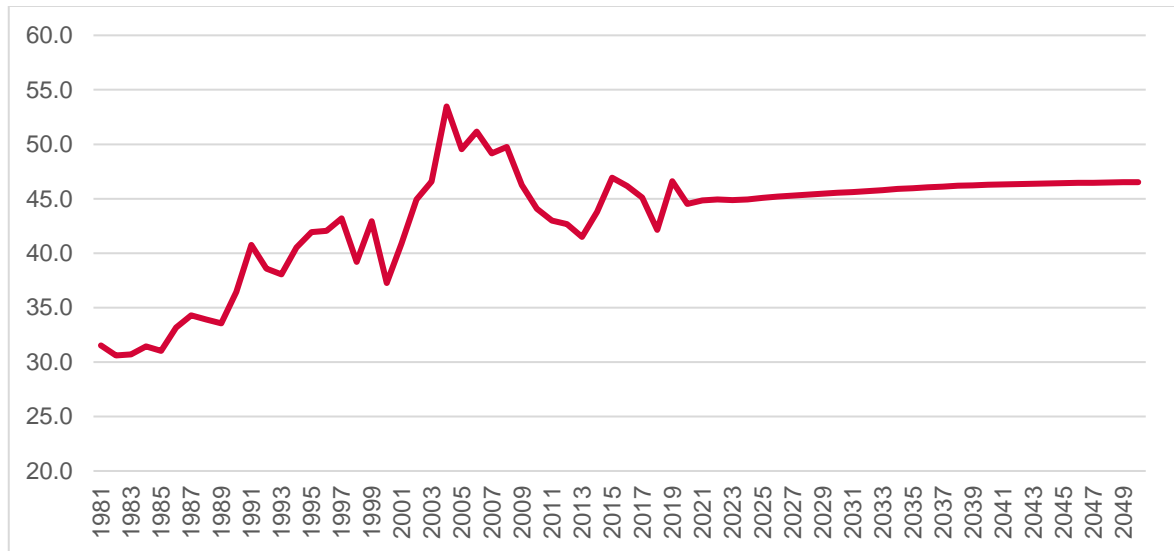
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## Retail

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- 2.11 The retail sector is one which saw a downward trend in employment between 2004-13, but appears to have seen some modest growth since. Moving forwards, a modest fall in retail jobs is anticipated (-300 to 2041). Iceni consider that in reality, the fall in retail employment could potential be stronger; offset by growth in jobs in warehousing/distribution.

**Figure 2.5: Retail Employment Projection**

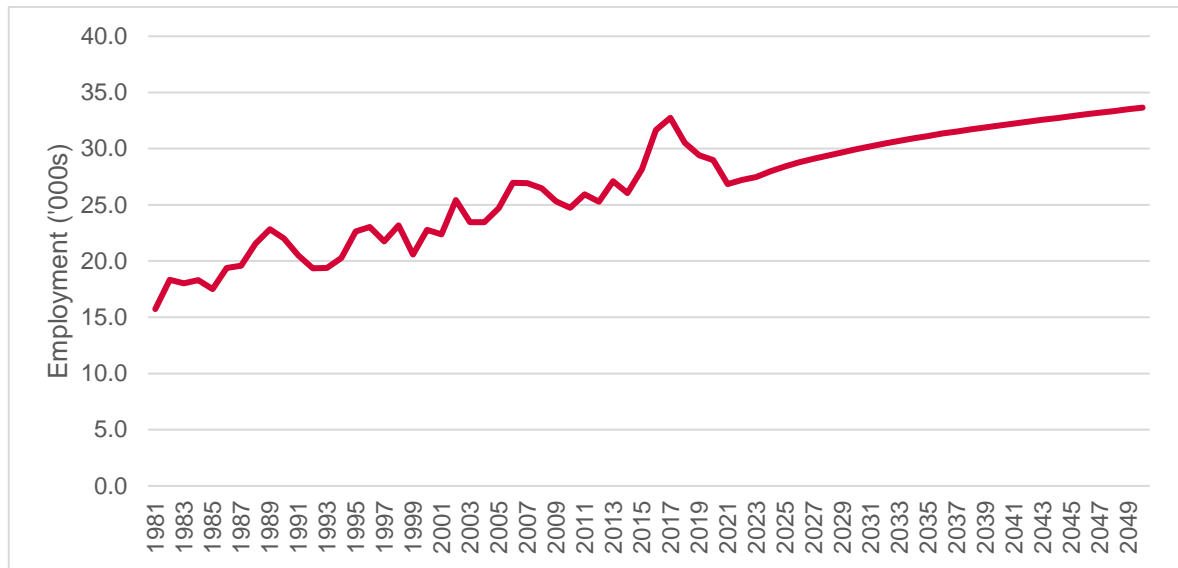


## Accommodation, Food and Beverage

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- 2.12 This is a sector which has seen relatively consistent historic employment growth over time, albeit that employment numbers have fallen since 2017. It includes leisure and tourism activities. The forecast is for a short-term fall followed by growth, broadly in line with historic trends. 2,800 additional jobs are forecast to 2041.

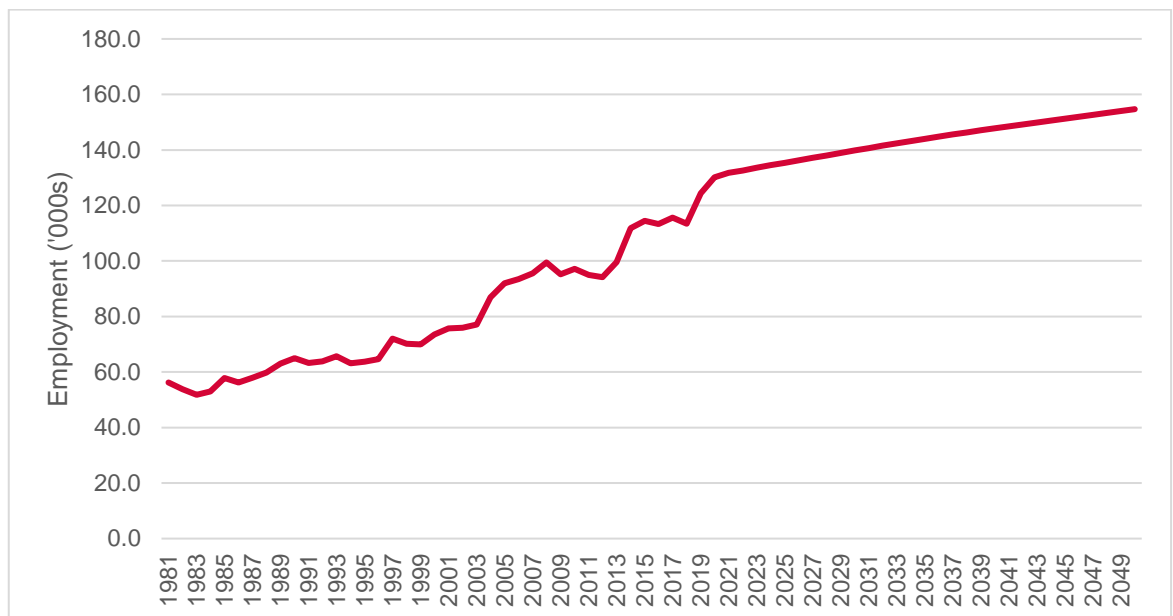
**Figure 2.6: Accommodation, Food and Beverage Projection**



**ICT, Real Estate & Professional Services**

2.13 ICT, Real Estate and Professional Services includes a group of sectors which have traditionally been focused on office-based activities. It is a sector which has seen relatively sustained employment growth over a number of years, as the graph below shows.

**Figure 2.7: ICT, Real Estate and Professional Services Projection**



2.14 However the baseline forecasts are for more modest growth moving forwards, albeit that due to its scale this still represents an increase of 24,100 jobs to 2041.



- 2.15 Drilling into sub-sector performance within this broad sector grouping, the projections show relatively strong growth in other professional services, but weaker employment growth in some other sub-sectors including ICT, head offices/management consultancy and business support relative to recent years.

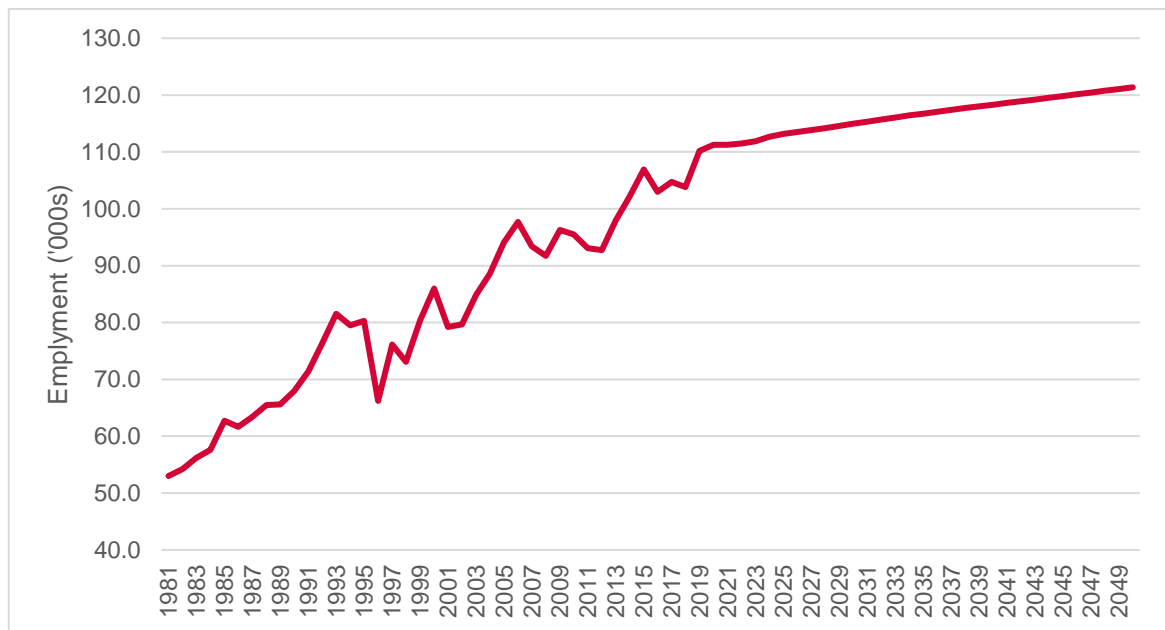
**Table 2.1 Sub-Sector Projections**

|  | <b>2009-19</b> | <b>2019<br/>Employment<br/>(‘000s)</b> | <b>2019-41</b> | <b>%<br/>Change</b> |
|--|----------------|--|----------------|---------------------|
| <b>Media</b>                                       | -0.4           | 2.3                                    | -0.5           | -23%                |
| <b>IT services</b>                                 | 4.2            | 12.2                                   | 2.7            | 22%                 |
| <b>Financial &amp; insurance</b>                   | -0.2           | 10.8                                   | 0.0            | 0%                  |
| <b>Real estate</b>                                 | 1.0            | 8.1                                    | 1.2            | 15%                 |
| <b>Legal &amp; accounting</b>                      | 0.9            | 8.2                                    | 1.6            | 19%                 |
| <b>Head offices &amp; management consultancies</b> | 11.3           | 21.7                                   | 4.3            | 20%                 |
| <b>Architectural &amp; engineering services</b>    | 2.9            | 8.1                                    | 1.7            | 21%                 |
| <b>Other professional services</b>                 | 2.4            | 12.4                                   | 5.1            | 41%                 |
| <b>Business support services</b>                   | 6.7            | 42.9                                   | 7.5            | 18%                 |

### **Public Administration, Education and Health**

- 2.16 This broad sector is one in which there has been a long-term trend of growing employment, influenced in part by wider population growth; but where growth has been somewhat cyclical influenced by wider public spending questions. Employment fell between 2006-12 but has since grown broadly in line with longer-term trends. It is focused particularly on public sector employment, but includes that within the Universities.
- 2.17 Growth of 8,400 jobs is forecast to 2041. Within this, employment growth is focused in health (4,000) and public administration (4,000) with modest growth in education (400).

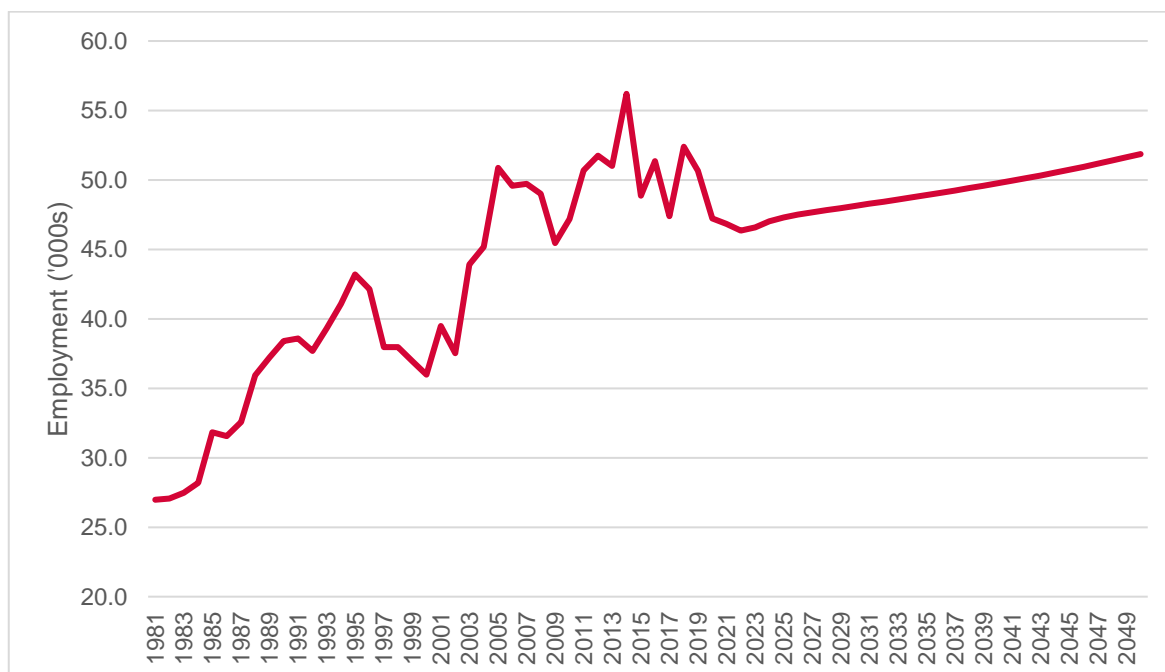
**Figure 2.8: Public Administration, Education and Health Projection**



**Other Services**

2.18 Other services employment (including arts, recreation and other services) has been downward in the short-term, having falling between 2014-19, and is expected to contract short-term; and whilst the projections envisage some modest growth thereafter it does not recover to the 2019 base position with a net reduction of 700 jobs projected between 2019-41. Within this some employment growth is forecast in residential/social care (+2,800) influenced by a growing older population, offset by reduced employment in other parts of this broad sector.

**Figure 2.9: Other Services Projection**



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## **Leicester**

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- 2.19 Leicester is evidently the main urban centre and City within the sub-region, albeit it is important to recognise that the administrative geography does not cover the full urban area. The analysis nonetheless shows that the City accounts for about a third of the sub-region's GVA and a similar proportion of its total employment; albeit that this is slightly less than the proportion of resident workforce (35% sub-region's population aged 16-64).
- 2.20 Total employment grew by 22,600 between 2011-19, with growth particularly focused in education (5,600), manufacturing (5,300) and health (4,000) – all sectors in which the City has both an existing concentration of employment and key assets/attributes. Furthermore there was growth of around 6,000 in ICT & Professional Services. The key manufacturing sub-sectors are textiles and food and drink. Overall the City has a relatively broad business base.
- 2.21 The City has a strong manufacturing base, with a particular strength in fashion/textiles together with a food and drink manufacturing. Public sector employment is strong – influenced by employment in health and the universities. It also has a strength in creative industries, with local research showing that it has the 2<sup>nd</sup> largest cluster of design agencies in the UK (spanning graphics, architecture, through to product design and IT) which the Council is seeking to grow. It has historically had a shortage of employment land including good quality industrial stock, grow on space and good quality office accommodation.
- 2.22 The baseline projections are for modest employment growth between 2019-21 (+200) with growth of 8,600 jobs to 2041 which is a growth rate expected to be below both sub-regional and regional averages; and would represent comparative under-performance.
- 2.23 Key economic assets include the two universities; with growth opportunities identified around space technologies, and health/medical technologies. The space technologies is currently relatively small in scale (and focused on IT/data), with the University to deliver some teaching space at Space Park and proposals for a manufacturing offer to provide low cost access to space, which could have a more significant impact on future growth (see Appendix 1 for further details).

## **Blaby**

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- 2.24 Blaby sits to the west of the City and includes both parts of the Leicester Principal Urban Area, such as Glenfield, Thorpe Astley, Braunstone and Glen Parva; as well as other nearby settlements such as Whetstone, Blaby, Countesthorpe and Enderby. It includes major business parks such as Grove Park and Meridian Park, close to the M1, together with Fosse Park – a major out-of-town retail park – and the Meridian Leisure Park.

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- 2.25 The borough has seen some of the strongest historical GVA growth (3.2% pa 2001-19). Key sectors include financial and professional services; retail; and public sector employment. These are influenced by the presence of some major employers including Next and Santander; whilst Centrica influences employment numbers in utilities.
- 2.26 The County Council is also based at Glenfield. An urban extension at New Lubbethorpe is being delivered, which should support population growth.
- 2.27 Over the 2011-19 period the data points to some strong employment growth of 14,500 jobs. This was driven by growth in professional services (8,100), as well as growth in utilities (2,800) and public administration (1,400). It is possible that HQ functions may have influenced where jobs are attributed to.
- 2.28 The baseline projections expect growth of 6,100 jobs between 2019-41 with growth focused on professional services (3,300) and business support (1,200).
- 2.29 Major development proposals in the area (but which currently do not have a particular planning status) are for a new Strategic Rail Freight Interchange (Hinckley SRFI) and for strategic growth at Whestone Pastures (4,500 homes plus strategic employment). The Council is however also consulting on other strategic site options.

## **Charnwood**

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- 2.30 Charnwood Borough sits in the north of the county, and includes areas on the edge of Leicester such as Birstall and Thurmaston; together with Loughborough and Shepsted which sit to the north, close to the M1, and a range of smaller settlements.
- 2.31 The largest sectors in the local economy include education (11,100 jobs), influenced by the presence of Loughborough University; manufacturing (9,600), professional services (6,900) and healthcare. Overall the economy is relatively balanced with a diverse employment base; with a degree of strength in advanced engineering and some food-related manufacturing (albeit with modest employment of c. 700) particularly around Thurmaston/Syston. Employment growth over the 2011-19 period was particularly driven by professional services and business support; education; and wholesale trade. Total employment growth over this period was 8,900.
- 2.32 The baseline projections show relatively modest employment growth of 2,400 between 2019-41. Within this, employment within manufacturing is expected to fall (-1,600) with growth across a range of other sectors led by health (1,200) but also professional services (900) and ICT (700) amongst others. Brush UK, one of Loughborough's main manufacturing employers, has been contracting and

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has announced its intention to relocate to Ashby in NW Leicestershire; and it is recognised that there is a vulnerability to further manufacturing contraction.

2.33 The District however benefits from a strong strategic location on the M1, and between Leicester, Derby and Nottingham; however has not seen the large strategic releases of land to accommodate warehouse/distribution activities which have happened elsewhere in the County. Key targeted sector growth opportunities identified are:

- **Lifesciences Opportunities Zone** – focused on the legacy buildings/infrastructure associated with Astra Zenica in Loughborough at the Charnwood Campus, the Council and LLEP are seeking to grow a cluster of medical and bioscience businesses using the existing infrastructure/lab space. Performance to date has been steady but slow, with some signs that interest is picking up.
- **University Science and Enterprise Park** – the existing science and enterprise park at Loughborough is home to around 80 companies, across a range of sectors including life sciences, sport and sport innovation, software and CRM. Iceni understands that the Enterprise Zone includes provision of c. 77 ha expansion of this but this is not currently progressing with any urgency. Through the stakeholder engagement a developing growth opportunity was identified between/at the interface of lifesciences, sports science and the wider health agenda.

2.34 Placemaking investment through the Town Deal is intended to improve connectivity between the rail station, town centre, university and FE College.

## Harborough

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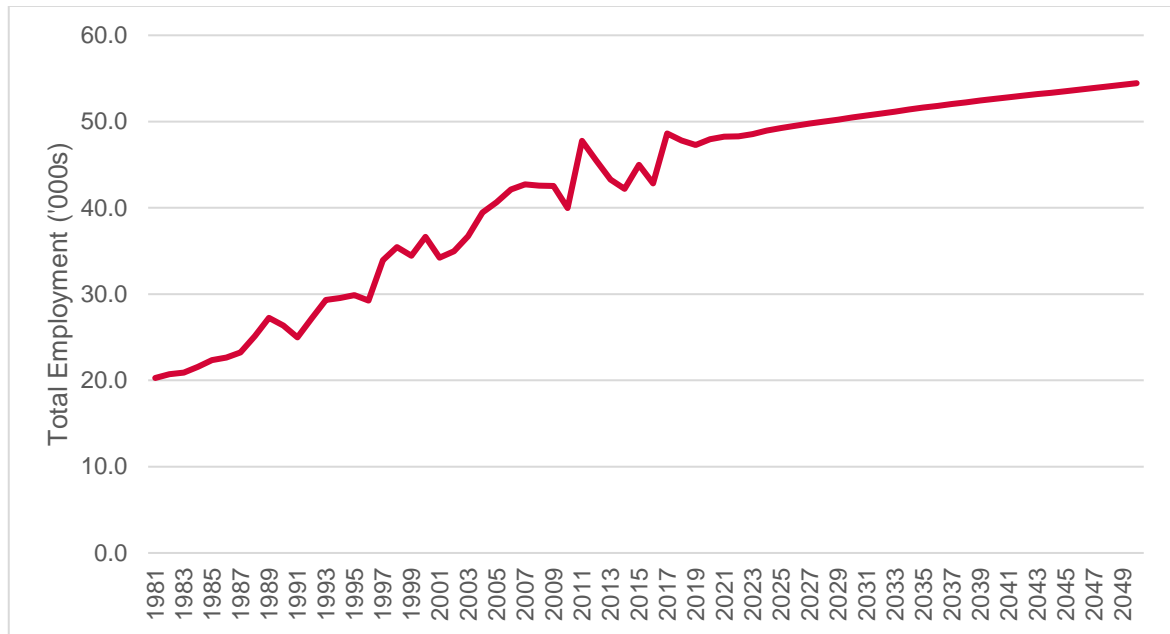
2.35 Harborough Borough sits in the south of the County, with the main settlements being Market Harborough and Lutterworth which sit close to the county boundaries. Scraftoft, Thurnby and Busby sit on the edge of the Leicester Urban Area. Beyond the main towns, it is an attractive rural district which is accessible to Leicester with comparatively higher housing costs. It accommodates around 47,000 jobs but a range of higher skilled residents commute out (both to Leicester and by train to London).

2.36 Key sectors include warehousing/postal and wholesale trade, influenced by the presence of Magna Park at Lutterworth – Europe’s largest Distribution Park – with a notable proportion of employment in Professional and Business Services with relatively strong representation of businesses in these sectors as well. It is located centrally within England, and is within the distribution ‘Golden Triangle.’

2.37 The District appears to have seen a modest contraction in jobs between 2011-19 but set in context, as shown below, the longer-term trend has been of relatively strong employment growth. Growth in employment of 5,500 is shown in the baseline projections to 2041 with the main growth sectors being

warehousing and postal (2,300), professional and business support services (1,800) accommodation and food (1,400). Manufacturing is expected to shed around 900 jobs.

**Table 2.2 Figure 7.11: Long-Term Employment Growth Trend and Baseline Projection - Harborough**



2.38 A major economic growth driver for the District is likely to be the expansion of Magna Park, both to the north and south, which we would expect to support stronger growth in warehousing/postal and associated sectors than in the baseline forecasts. Other opportunities identified are around rural diversification and tourism.

2.39 If the Strategic Growth Plan with an arc of growth around the south and east of Leicester is delivered, this would potentially create new nodes of development in the northern parts of the District.

**Hinckley & Bosworth**

2.40 Hinckley and Bosworth lies to the south-east of Leicester, its major settlements being Hinckley, Burbage and Earl Shilton; although it also includes Groby on the edge of the Leicester Urban Area. The M1, M69 and A5 run through the Borough and there is inter-commuting through into Coventry and Warwickshire.

2.41 Key sector strengths include manufacturing, which accounts for a substantial 15.6% of jobs, and warehousing/ distribution activities associated with the borough’s strategic location and connectivity.

2.42 The Borough has seen relatively positive employment growth in recent years, with jobs growth of 5,200 between 2011-19. A substantial proportion of this has been in sectors associated with

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warehousing activity (2,300); but some growth has also been seen in real estate and professional services.

- 2.43 The baseline projections show growth in employment of 2,400 between 2011-19 with around 1,100 jobs in retail trade/warehousing and postal and 2,900 across professional services but a contraction in manufacturing employment of -2,000 jobs. Major employers such as Catapillar have expanded and contracted progressively over the years; whilst Neovia is to move some operations to Mercia Park in NW Leicestershire.
- 2.44 The baseline outlook for manufacturing is perhaps unduly pessimistic, in particular reflecting the growth potential at MIRA Technology Park, which is geared around manufacturing and R&D focused on the automotive sector including battery development, with a proving ground on-site and a new autonomous vehicle track, and benefits from Enterprise Zone status. The opening of the MIRA Technology Institute is supporting skills investment and fuelling R&D activity.
- 2.45 There is also potential for continuing/ further growth in warehousing/distribution including through Aldi's investment in a new National Distribution Centre at Nailstone Colliery; proposals for Hinckley Strategic Rail Freight Interchange; and potential for expansion in other areas. The area's attractiveness for these activities would be buoyed by the dualling of the A5.
- 2.46 The stakeholder engagement also identified potential for growth in the tourism economy; but commented that the figures for office-based sectors potentially look somewhat optimistic.

## **Melton**

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- 2.47 Melton Borough lies in the north of the county, with its major settlement being Melton Mowbray. It is a smaller economy, with 22,300 jobs in 2019. The manufacturing sector is the largest employment, with 4,900 jobs, within which the area's particular strength is in food manufacturing. Agriculture is also an important sector (albeit with modest employment numbers). It is less well connected to the Strategic Road Network.
- 2.48 Employment has grown by 2,300 between 2011-19 with modest growth across a range of sectors including professional and business services. Manufacturing employment has also grown modestly.
- 2.49 The baseline projections show employment growth of 1,800 over the 2019-41 period, with an additional 600 manufacturing jobs projected as well as some continued growth in professional and business services.
- 2.50 Melton Mowbray itself is identified as a Key Centre for Regeneration and Growth in the Strategic Growth Plan; with delivery of 4,000 homes envisaged together with additional infrastructure including

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northern and southern distributor roads which will take traffic away from the Town Centre and open up allocated employment sites (in a context in which employment supply immediately around the town has been somewhat constrained). The housing growth will support some workforce growth in a context in which the District saw some of the weakest growth in population over the 2009-19 decade, with the working-age population aged 16-64 falling. This will contribute to its attractiveness for economic investment.

- 2.51 The stakeholder discussions have suggested that the projections for modest manufacturing growth are reasonable, but identified some modest growth potential in wholesale/warehousing activities, in other services (c. 50-100 jobs) and in construction (200-300 jobs) influenced by the scale of housing and infrastructure investment. The area's economic strategy is focused on promoting Melton Mowbray as the 'Rural Capital of Food' seeking to support growth in manufacturing, enterprise, R&D and tourism, including through growth of the Food Enterprise Centre (FEC).

### **North West Leicestershire**

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- 2.52 NW Leicestershire is in the north of the county, with its major settlements being Coalville and Ashby-de-la-Zouch. It includes East Midlands Airport and major warehousing/distribution sites both at Bardon and close to the Airport/Castle Donnington.
- 2.53 Key sectors in the area include manufacturing, warehousing/distribution and agriculture. The historical data points to growth in employment between 2011-19 across a range of sectors, with strong overall performance – total employment having risen by 16,200. Whilst the data suggests that some of the strongest growth has been in professional and business support (+6,600) the evidence on the ground points in particular to warehousing/distribution activities being a key driver. We understand that professional services growth is focused more at Ashby, and reflects its accessibility to Leicester, Derby, Birmingham and Nottingham.
- 2.54 The baseline projections expect growth of 7,400 over the 2011-41 period, with warehousing and postal and transport a key growth sector (+3,100 jobs) together with business and professional services and real estate (+4,800). Manufacturing is seeing contracting employment (- 1,500 jobs) but remains an important sector.
- 2.55 We feel that the scale of professional services growth is perhaps overstated; but that stronger growth in distribution/ logistics activity is possible taking account in particular of the strong current/pipeline sites including East Midlands Gateway (which forms part of the EM Freeport proposals) and IM Properties scheme at Mercia Park on J11 M42 where investment from JLR and DSV Group is expected. There are issues associated with recruitment/retention associated with warehousing activity.



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- 2.56 Further employment growth as part of the wider freeport proposals will clearly also be accessible to the District's residents (and those in Charnwood) in particular.

### **Oadby & Wigston**

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- 2.57 Oadby and Wigston is a Borough situated on the edge of Leicester, with a relatively small economy employing around 22,200 people. It is one of the smallest local authorities in the country. There is net out-commuting to Leicester.
- 2.58 As with Melton it has seen comparatively weaker employment growth historically, and has seen a declining working-age population. Public sector employment is significant as is that in the manufacturing sector which is quite diverse, albeit with some focus in food manufacturing. Cromwell Tools is a large local employer.
- 2.59 Over the 2011-19 period, net employment grew by around 600 jobs albeit that manufacturing employment fell (-1,300). The baseline projections expect growth of around 400 jobs in net terms between 2019 - 2041 with continuing contracting manufacturing employment and growth in professional and business services.
- 2.60 The stakeholder engagement has suggested that a slightly better manufacturing performance might be reasonable; and identified that housing growth – through delivery of the Wigston Direction for Growth strategic site in particular – could act as a local economic driver, and support stronger performance in construction, health and education.
- 2.61 The longer-term strategic question for the Borough is whether the extension of the A46 through the Borough is progressed which could impact on the economic geography and generate additional investment.

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### 3. ECONOMIC STRATEGY REVIEW

3.1 This Appendix presents a review of relevant economic policy/ strategy documents at a sub-regional and local level. It has been prepared to inform the scoping of economic scenarios and thus focuses principally on demand-side issues.<sup>5</sup> We have sought to structure the review around four themes: sectors, skills, infrastructure and place. Our analysis focuses on documents prepared over the last couple of years; and will be augmented by key stakeholder engagement.

3.2 The 2018 LL Strategic Growth Plan sets out some of the area's key strengths which include:

- its great location at the heart of the UK and connectivity (by road, rail and air) which provides a strong basis for businesses to serve both national and international markets, and which underpins the area's strengths as a location for manufacturing and distribution activities;
- three outstanding universities – with global significance in space, engineering, sports science – together with MIRA's role as a centre for automotive R&D;
- a strong central city in Leicester, with distinctive market towns surrounding this and wider environmental and historic assets including the National Forest, and rural areas which are of national significance for agriculture and food production.

3.3 The broad characteristics underpin some of the sectoral growth opportunities which have been identified.

#### Sectors

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3.4 The 2018 LIS Prospectus identifies 5 key sectoral growth opportunities which are expected to support economic growth and drive productivity improvements. We have identified these below together with the key projects associated with each. Icenii have identified the locational focus.

**Table 3.1 LIS Key Sectoral Growth Opportunities**

| <b>Sector</b>             | <b>Key Projects / Locations</b>  | <b>Spatial Focus</b> |
|---------------------------|--|----------------------|
| <b>Space technologies</b> | Develop 20,000 sq. of new R&D and manufacturing workspace for the space industry | Leicester            |

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<sup>5</sup> As opposed to recounting issues related to employment land supply and sites

|  |  |  |
|--|--|--|
|  | <p>Create a space technology cluster and support development of a low cost satellite manufacturing facility</p> <p>Assemble and deliver infrastructure required for the next phase of Space Park Leicester.</p>  |  |
| <b>Life Sciences – Health and Medical Technologies</b> | <p>Develop the Life Sciences Opportunities Zone at Charnwood Campus by creating an agile business hub; targeted skills academy; and establishing a shared diagnostic and NHS data centre.</p> <p>Develop a new sports rehabilitation centre, a Sports Innovation Hub and forth wing to SportsPark at Loughborough University.</p> <p>Expand on the work of DeMontfort University’s Digital Health and Care Unit to deploy market-ready digital technology.</p> <p>Charnwood Campus in Loughborough is designated Life Sciences Opportunities Zone.</p> | Charnwood<br>Leicester                                 |
| <b>Advanced Manufacturing &amp; Engineering</b>        | <p>Existing strengths in textiles, footwear, food and drink automotive and transport manufacturing.</p> <p>Develop an East Midlands Manufacturing Zone pilot linked to an International Free Trade Zone.</p> <p>Accelerate the delivery of commercial space including at Loughborough Science &amp; Enterprise Park and MIRA</p> <p>Development of a Food Enterprise and Technology Centre and Food Park in Melton Mowbray.</p>  | NW Leics<br>Charwood<br>Melton                         |
| <b>Advanced Logistics</b>                              | <p>Develop a Logistics Institute of Technology led by North Warwickshire and South Leicestershire College to improve technical skills and productivity</p> <p>Develop a low carbon pilot to support the sector to develop/ adapt to new technologies/ deliver clean growth</p> <p>Develop and support the global cargo capability and Free Trade Zone at East Midlands Airport</p>   | Hinckley & Bosworth<br>NW Leicestershire<br>Harborough |
| <b>Textiles – Design and Manufacturing</b>             | <p>Develop a fashion and textiles Skills and Technology Hub to upskill and introduce/test new technologies.</p> <p>Host a Compliance Task Force Pilot to develop an ethical supply chain to build retailer confidence in UK sourcing.</p>  | Leicester  |

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|  |   |  |
|--|---|--|
|  | Develop DeMontfort University’s “Impact by Design” initiative to support growth of SMEs by providing support for design innovation. |  |
|--|---|--|

- 3.5 Sector opportunities are influenced by Leicestershire’s location and assets, including its central location in the UK, the M1 spine, and East Midlands Airport’s role as the 2<sup>nd</sup> largest freight airport – underpinning its strength as a manufacturing and distribution location – together with its strong and growth manufacturing sector. Key assets include the three world class universities and MIRA’s role as a base for R&D and testing in the automotive sector.
- 3.6 Space Park Leicester is being developed by the University of Leicester, with the first building being opened in early 2021. It will provide high-tech facilities for R&D and manufacturing and include (in Phase 2) a Manufacturing, Engineering, Technology and Earth Observation Research Centre; and (in Phase 3) a commercial Low Cost Access to Space (LoCAS) satellite manufacturing facility for the manufacture of mid-range satellites.<sup>6</sup>
- 3.7 Melton BC is growing the cluster of **food manufacturing** businesses in Melton Mowbray as well as support its tourism offer and agricultural economy structured around a vision as the ‘Rural Capital of Food.’ This encompasses the delivery of key employment sites (which collectively form a Manufacturing Zone); investment in the Cattle Market development; and delivery of a Food Enterprise Centre (FEC) which aims to support product development and innovation, B2B relationships, and start-ups working with local businesses, colleges, the NFU and University of Nottingham.
- 3.8 Most individual authority economic strategies also identify and seek to promote **tourism and the visitor economy** within their areas; whilst the potential for **office-based professional/ business services** has been identified as a growth sector for Leicester.
- 3.9 **Low carbon growth opportunities** are also identified as an opportunity (albeit it does not appear to be an existing particular strength). The LEP Economic Recovery Strategy identifies the need for further work to map zero carbon and circular economy business opportunities, and work to identify potential strategic investment projects, and work to identify how natural capital can be use to drive local growth/productivity.

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<sup>6</sup> See <https://le.ac.uk/spacepark>

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- 3.10 The LEP's 2018 Energy Infrastructure Strategy seeks to shift energy generation to renewable resources accompanied by investment in smart technologies, improvements to the energy efficiency of homes and businesses, and a transition to alternative, low carbon fuels for heating and transport. To take this forwards, the LEP has established a Low Carbon Advisory Panel, is providing business support and investment in developing local supply chains and links to universities, together with a coordinated package of activity to increase renewable energy generation and reduce emissions in The National Forest.

### **Skills and Business Support**

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- 3.11 Business support is coordinated through the Business Gateway Growth Hub and individual local authorities. The LEP's Economic Recovery Action Plan outlines that a **Tourism Recovery Framework** has been developed and is being rolled out. It also points to a **Regional Entrepreneurial Acceleration Programme** which is being delivered to drive forward innovation in particular through improving connections between the area's science and technology assets and its strong manufacturing base.
- 3.12 Actions identified in the LEP Covid Recovery Plan include delivering additional targeted support to those at risk of becoming NEET, establishment of a Digital Skills Partnership to address skills deficiencies in this area, developing an area-wide Apprenticeship Strategy and securing a Wave 2 Institute of Technology within the area to support delivery of higher technical qualifications and digital skills.
- 3.13 Leicester City's Economic Recovery Strategy includes a Youth Employment Hub to help young people into work; a Textiles Training Academy, Construction Training Hub (at Ashton Green) as well as work – with the Universities – to improve graduate retention in the area. The Loughborough Town Deal Proposals similarly include proposals for a Digital Skills Hub; and a Careers and Enterprise Hub at Loughborough College. There are similar initiatives to support skills development in other areas.
- 3.14 There are also a range of activities identified in local strategies around supporting SME growth through business incubation / innovation centres, such as Harborough Innovation Centre, and deliver grow-on space.

### **Infrastructure & Connectivity**

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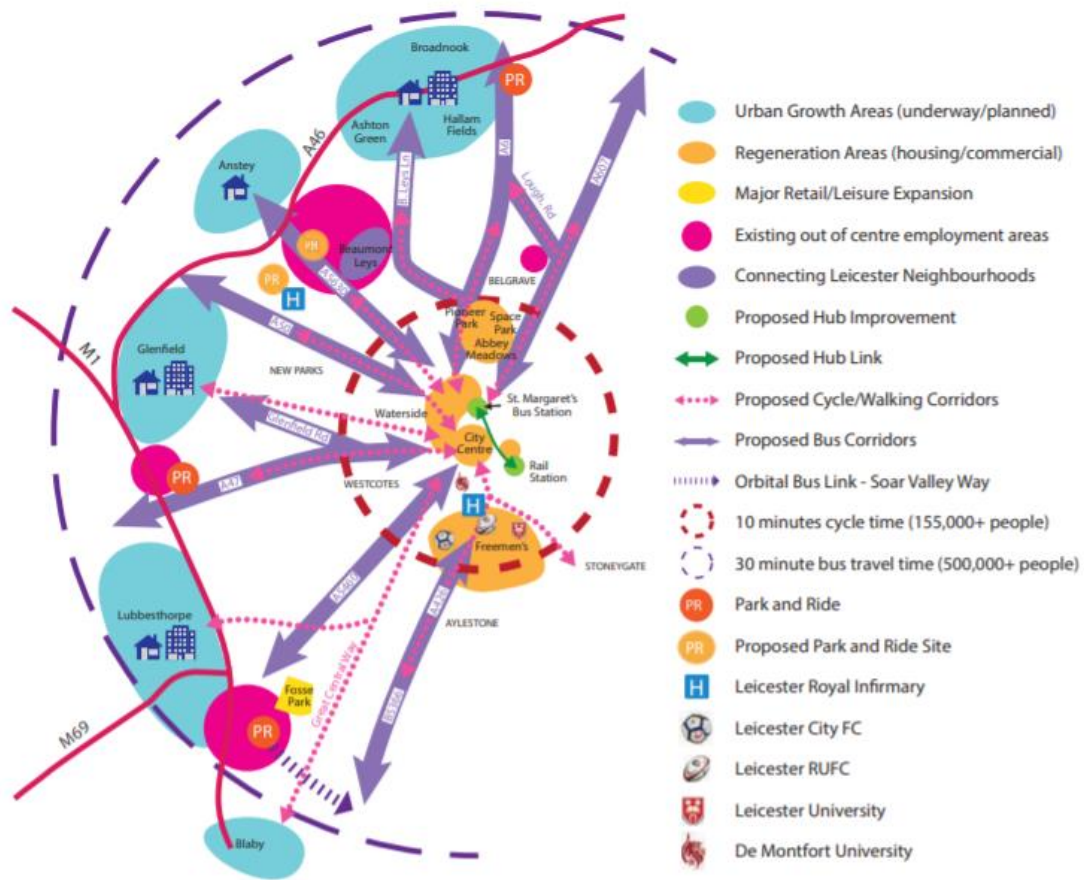
- 3.15 Transport infrastructure priorities are outlined in the 2020 L&L Strategic Transport Priorities document. This identifies regional priorities (as identified by Midlands Connect and Transport for East Midlands (TfEM)) as follows:

**Table 3.2 Regional Transport Priorities**

|                             | <b>A46<br/>Growth<br/>Corridor</b> | <b>A5<br/>Growth<br/>Corridor</b> | <b>Transfor-<br/>ming E-<br/>W<br/>Connect-<br/>ivity</b> | <b>Access<br/>to EM<br/>Airport</b> | <b>Midland<br/>Mainline<br/>Impro-<br/>vements</b> | <b>Making<br/>the most<br/>of HS2</b> | <b>Midland<br/>Rail Hub</b> |
|-----------------------------|------------------------------------|-----------------------------------|---|-------------------------------------|--|---------------------------------------|-----------------------------|
| <b>Midlands<br/>Connect</b> | ✓                                  | ✓                                 | ✓   | ✓                                   |  | ✓                                     | ✓                           |
| <b>TfEM</b>                 | ✓                                  | ✓                                 | ✓   | ✓                                   | ✓  | ✓                                     |                             |

- 3.16 Medium-term priorities include improving rail connectivity to Coventry and Birmingham; delivery of improvements to the A5, A42, A46 and A50 Corridors together with the delivery of the priority growth corridor to the south and east of Leicester; and improvements to the Midland Mainline. The Trans-Midlands Trade Corridor Strategy Plan seeks to unlock potential growth on the A46 Corridor.
- 3.17 The framework for investment for Leicester is based on the Connected Leicester Hub and Spoke Plan which is intended to deliver better bus services, improved City Centre hubs (rail and bus), investment in promoting active modes, and the potential for a Workplace Parking Levy. The potential for consideration of mass transit options longer-term is mooted.

Figure 3.1: Connected Leicester Hub and Spoke Plan



- 3.18 At Melton Mowbray, the delivery of the Melton Mowbray Distributor Road is being progressed in the short-term, providing a bypass to the town, opening up new residential and employment sites and facilitating town centre investment.
- 3.19 Improvements in digital connectivity are being driven forwards through the Superfast Leicestershire Project.<sup>7</sup>
- 3.20 East Midlands Airport sees the 2<sup>nd</sup> largest level of freight cargo flown of airports in the UK (beyond London Heathrow). It is the UK Hub for DHL and UPS, and supports operations from TNT and Royal Mail. It forms an important component of **East Midlands Freeport** together with the Gateway Industrial Cluster in NW Leicestershire (which includes the EM Gateway SFRI), the Radcliffe-on-Soar Power Station (Nottinghamshire)<sup>8</sup> and East Midlands Intermodal Park SFRI (South Derbyshire). The Freeport designation is intended to stimulate economic activity and attract inward investment by

<sup>7</sup> [www.superfastleicestershire.org.uk](http://www.superfastleicestershire.org.uk)

<sup>8</sup> The potential for a gigafactory on the site is mooted post closure of the Power Plant in 2025

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providing opportunities for imports to enter the area with simplified customs declarations and without paying import tariffs.

### **Place**

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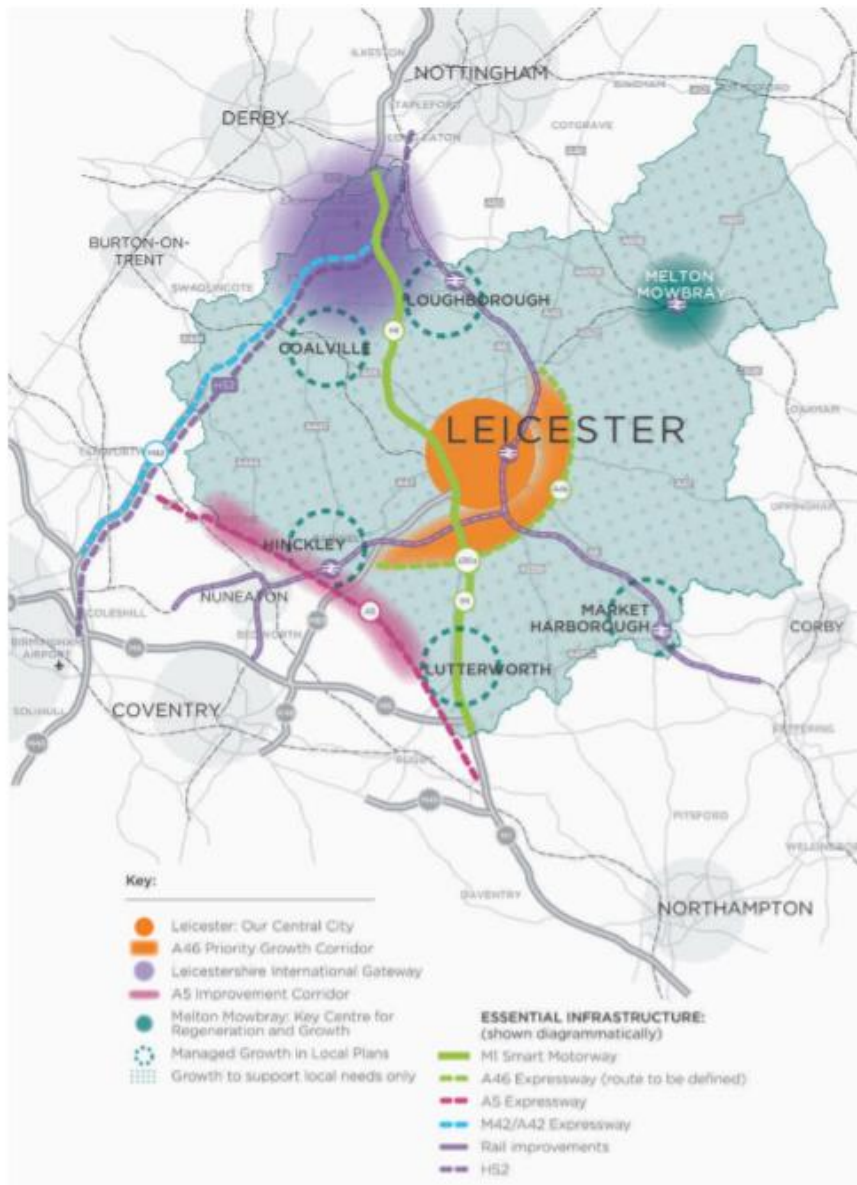
3.21 The 2018 L&L Strategic Growth Plan set a focus for development in the following areas:

- Leicester City, particularly the Strategic Regeneration Area;
- A46 Priority Growth Corridor to the south and east of Leicester;
- Leicester International Gateway (encompassing the Airport, EM Gateway and HS2 Toton);
- Melton Mowbray as a key centre for regeneration and growth.

3.22 Updated evidence will inform whether this continues to be an appropriate strategic approach, but it is notable that it does elevate the status of the Leicester PUA and Melton Mowbray as centres for strategic investment.



Figure 3.2: Strategic Growth Plan – Spatial Strategy



3.23 Investment plans are being drawn up for individual towns including City/Town Centre Recovery Plans, Masterplans and Town Deals. Examples include:

- Loughborough Town Investment Plan (Oct 2020) – forming the basis of a Town Deal submission to Government. It includes proposals for public realm and gateway investment, visitor attractions such as Taylor’s Bell Foundry and Great Central Railway, Riverside Regeneration and expansion of SportsPark. Charnwood’s 2018-20 Economic Development Strategy further references the regeneration of the East Loughborough Industrial Heritage Quarter, the Watermead Regeneration Masterplan.

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- Hinckley & Bosworth BC and Historic England have designated a High Street Heritage Action Zone in Hinckley Town Centre which aims to invest £1.85m in improvements to historic buildings and public realm. This forms part of broader proposals for Town Centre Regeneration in Hinckley.
  - Melton BC is taking forward plans for Town Centre Regeneration with a range of investment projects identified which aim to connect the Town Centre better to surrounding areas (including the Cattle Market and College sites and green infrastructure), and improve public realm.
  - Leicestershire Waterside – a regeneration scheme intended to deliver a new canalside quarter with residential and office space.

3.24 The other local authorities in the sub-region equally have regeneration/investment proposals for other centres, including Oadby, Wigston, Coalville, Market Harborough etc.

### **Documents Reviewed**

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- LLEP LIS Prospectus 2018
- LLEP Economic Recovery Plan / Presentation
- LLEP Skills Strategy
- LLEP Energy Infrastructure Strategy
- Leicester 2020 Economic Development Needs Assessment
- Leicester City Economic Recovery Plan Update – March 2021
- Blaby Economic Development Strategy 2016-19
- Blaby District Corporate Plan 2021-24
- Charnwood Economic Development Strategy 2018-20
- Harborough Economic Development Strategy 2018-23
- Harborough Corporate Delivery Plan – March 2020
- Hinckley & Bosworth Economic Regeneration Strategy 2016-20
- Melton BC Food Enterprise Zone Cabinet Report
- Melton Growth & Prosperity Plan 2018-22
- North West Leicestershire Economic Growth Plan 2019-21
- East Midlands Freeport Proposal (Summary)
- Oadby & Wigston Corporate Plan 2019-24
- Leicester & Leicestershire Strategic Growth Plan (2018)

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- Leicester & Leicestershire Strategic Transport Priorities 2020-2050 (Nov 2020)

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## 4. NARRATIVE FOR GROWTH SCENARIO

4.1 If we look at the sectors which the CE and the LLEP have developed forecasts for:

- Historic jobs growth 2010-2019 of +69,000 jobs; covid jobs growth/loss (2020) of +500; post covid recovery (2021-30) of +17,000.

4.2 Some sectors undergoing significant growth 2010-19, with much lower growth rate 2021-30:

- Advanced manufacturing and engineering
- Life sciences and biotech
- Professional and financial services
- Sports and physical activity

4.3 During covid, 2020 – significant growth in:

- Life Sciences and biotech
- Professional and financial services
- Logistics and distribution

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

- **Advanced manufacturing and engineering** – this is a real specialism, particularly in automotive, and already active in alternative fuels, electric and autonomous vehicles. Would have thought could argue it will not lose many further jobs, will continue to be successful
- **Life sciences and biotechnology** – there are significant university specialisms, a new regenerative medicine hospital for military injuries; and decent amount of start-up / SME development. Have the sites, research specialisms and activities, and businesses developing. Can assume that this will lead to improved growth rates
- **Logistics and distribution:** there are several large sites (e.g. Magna Park, EM Gateway, plus development of rail freight and East Mids Airport (principally freight) plus the new Freeport. The area falls within the Golden Triangle which is the core area nationally for NDCs.

- 
- **Sports science** – this is a world class specialism at Loughborough University and ripe for further commercialisation. It's a niche, but some good prospects that are probably much higher than the national trend rates of growth
  - **Space / aerospace / earth observation** – this is a niche, but Leicester well placed with SpacePark Leicester and surrounding sites, and government interest / investment in space sector

4.5 There are some office-based sectors, where the locational factors are strong - workforce availability, graduate skills (where relevant), location, infrastructure - but the limiting factors are mostly about office accommodation in Leicester City Centre and other centres:

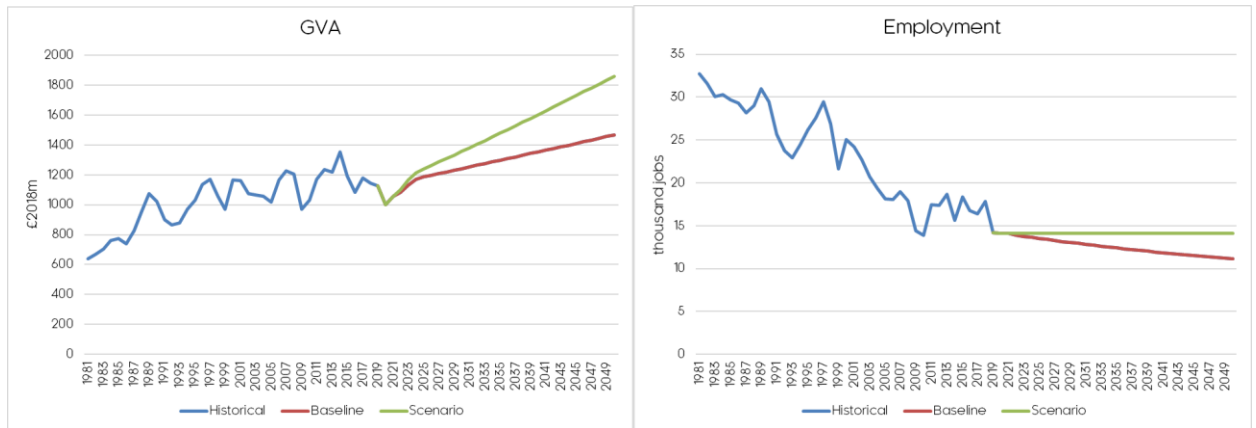
- **IT & Digital** – has the graduate skills, university R&D and teaching specialisms
- **Professional and Financial Services** - has the graduate skills, potential to benefit from jobs growth outside London – if can build the offices. There is modest commercial interest in office development and much of the office space in past 20 years has been from public sector investment and initiatives. So this will depend on significant public intervention.

4.6 Construction activity might be boosted by planned infrastructure and employment sites:

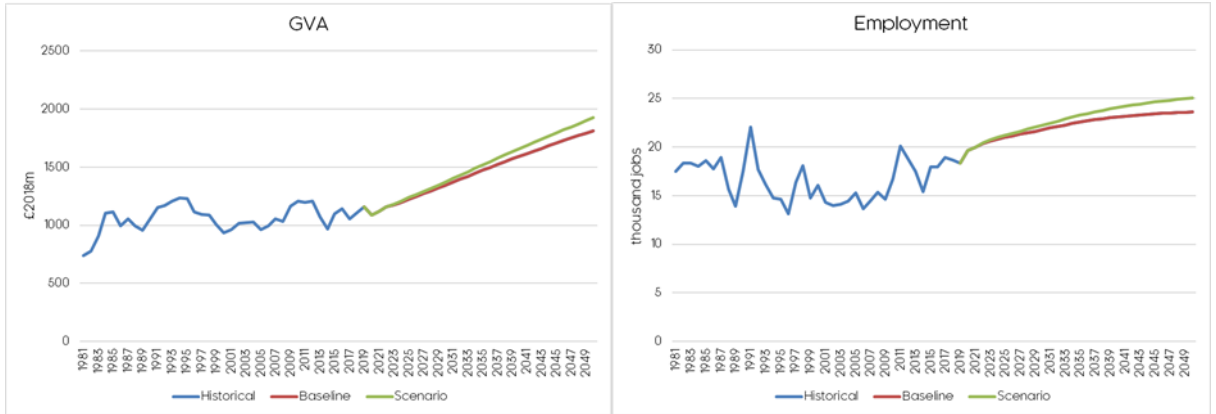
- HS2
- EZ and major logistics sites being built out – significant
- Residential conversion in Leicester city centre
- Redevelopment in Leicester city centre
- Major sustainable urban extensions to the Leicester PUA and market towns
- Road improvements could be considerable – if go ahead

## Sector-by-Sector Projections

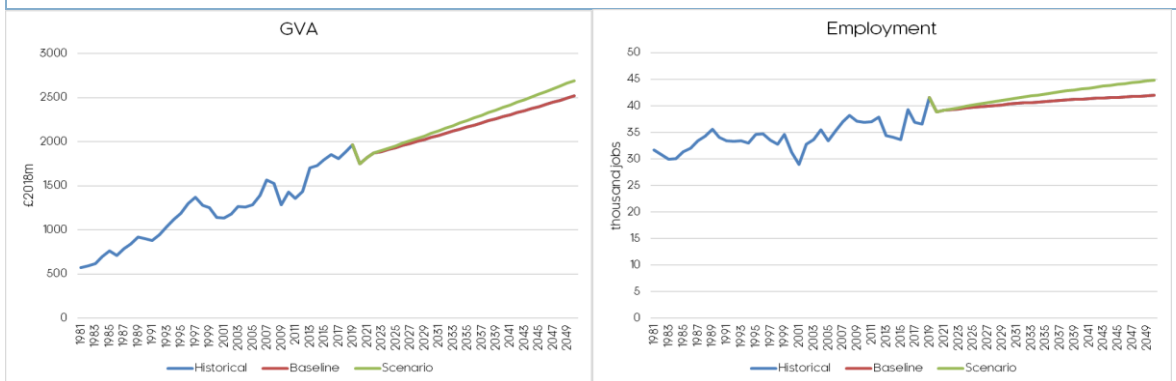
| Focus Sector                           | Narrative  | Difference from baseline 2030 | Difference from baseline 2050 |
|--|--|-------------------------------|-------------------------------|
| Advanced manufacturing and engineering | Long-term trend is of increasing GVA but decreasing employment due to ongoing automation and innovation. A realistic aspiration could be of maintaining current levels of employment (whilst maintaining baseline productivity growth) | 1,200 jobs                    | 3,000 jobs                    |



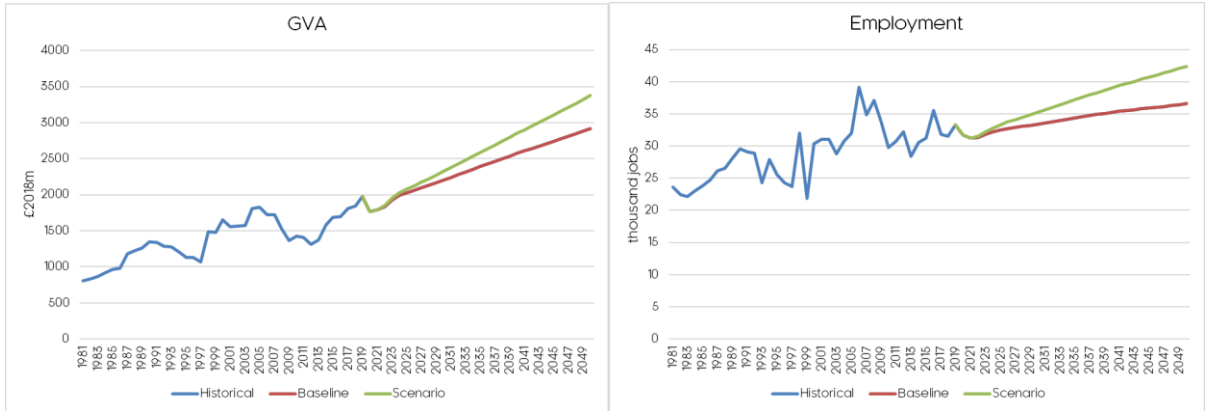
| Focus Sector        | Narrative  | Difference from baseline 2030 | Difference from baseline 2050 |
|---------------------|--|-------------------------------|-------------------------------|
| Agri-food and drink | Long-term trend is of stable GVA and employment set against a national downward trend in employment. Upward baseline projection is thus already quite optimistic, therefore additional growth above this in aspirational scenario is relatively small. | 400 jobs                      | 1,500 jobs                    |



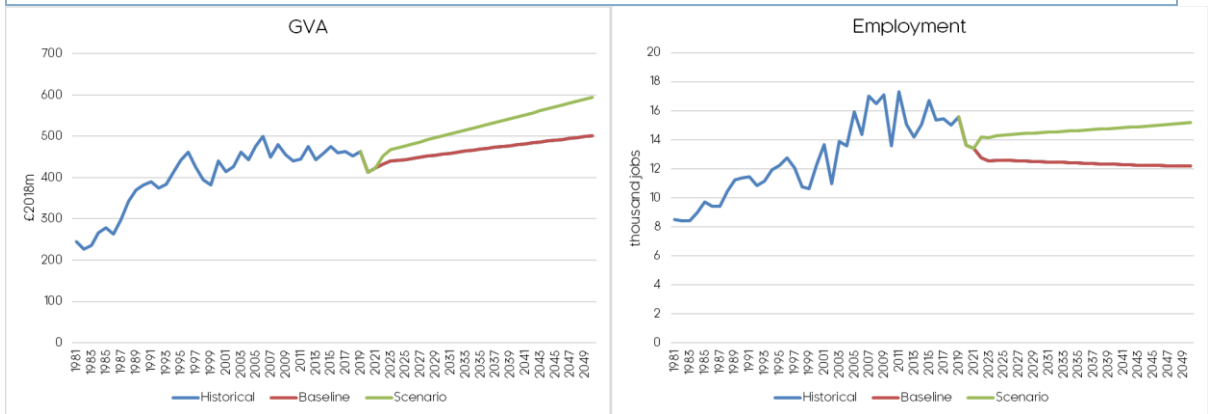
| Focus Sector | Narrative   | Difference from baseline 2030 | Difference from baseline 2050 |
|--------------|---|-------------------------------|-------------------------------|
| Automotive   | Strongly positive long run GVA trend, driven primarily by productivity growth. Employment trend is of slow growth, with baseline projection showing a flattening. Aspirational scenario maintains previous trend. | 900 jobs                      | 2,900 jobs                    |



| Focus Sector                 | Narrative   | Difference from baseline 2030 | Difference from baseline 2050 |
|------------------------------|---|-------------------------------|-------------------------------|
| Construction and Development | As above: strongly positive long run GVA trend, driven primarily by productivity growth. Employment trend is of slow growth, with baseline projection showing a flattening. Aspirational scenario maintains previous trend. | 1,800 jobs                    | 5,800 jobs                    |

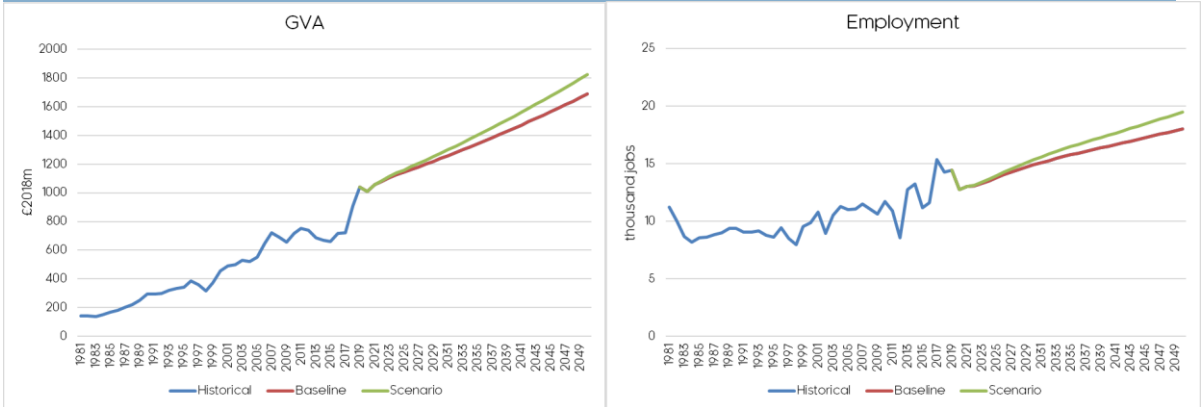


| Focus Sector                    | Narrative  | Difference from baseline 2030 | Difference from baseline 2050 |
|---------------------------------|--|-------------------------------|-------------------------------|
| Creative, cultural and artistic | Contrasting historic trends, with GVA growth slowing since 2000 but employment initially rising then falling in recent years. Baseline represents post-COVID extension of recent trends. Aspirational scenario sees reversion to long-run trends of GVA and employment growth. | 2,000 jobs                    | 3,000 jobs                    |

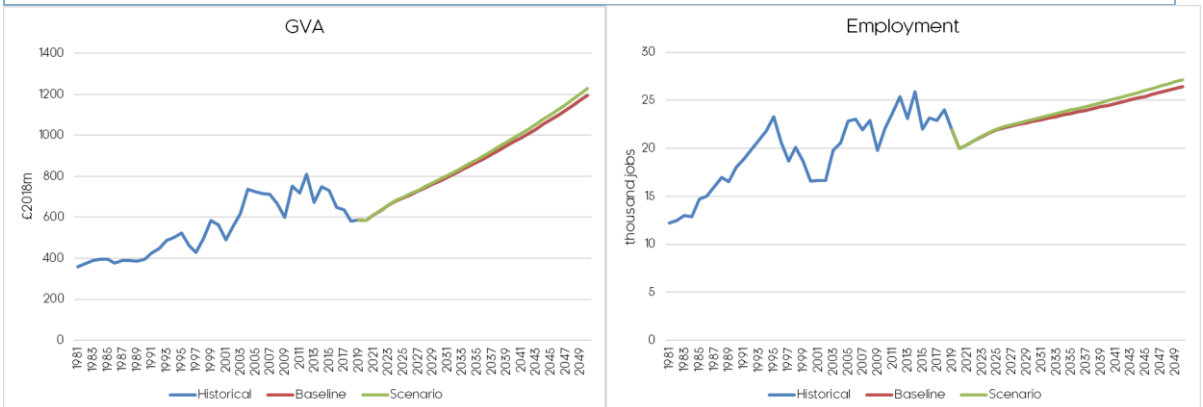




| Focus Sector             | Narrative  | Difference from baseline 2030 | Difference from baseline 2050 |
|--------------------------|--|-------------------------------|-------------------------------|
| Digital, Tech, and Comms | Historic trend is of growth in both GVA and employment, with baseline projection continuing this. Aspirational scenario represents a moderate increase above this. | 400 jobs                      | 1,500 jobs                    |

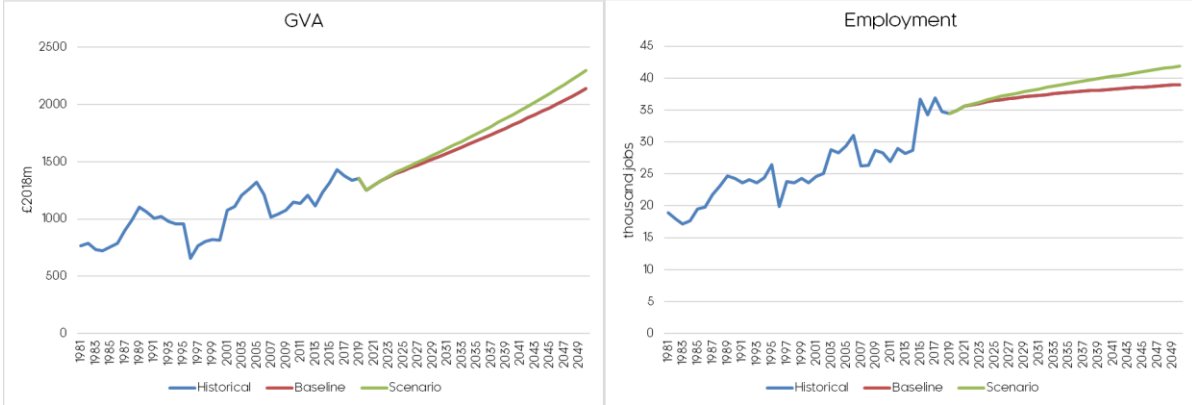


| Focus Sector           | Narrative   | Difference from baseline 2030 | Difference from baseline 2050 |
|------------------------|---|-------------------------------|-------------------------------|
| Health and Social Care | The baseline projection here is already quite optimistic, showing an increase in the rate of GVA growth above historic trends. The aspirational scenario is therefore restrained to a moderate increase above this. | 200 jobs                      | 700 jobs                      |

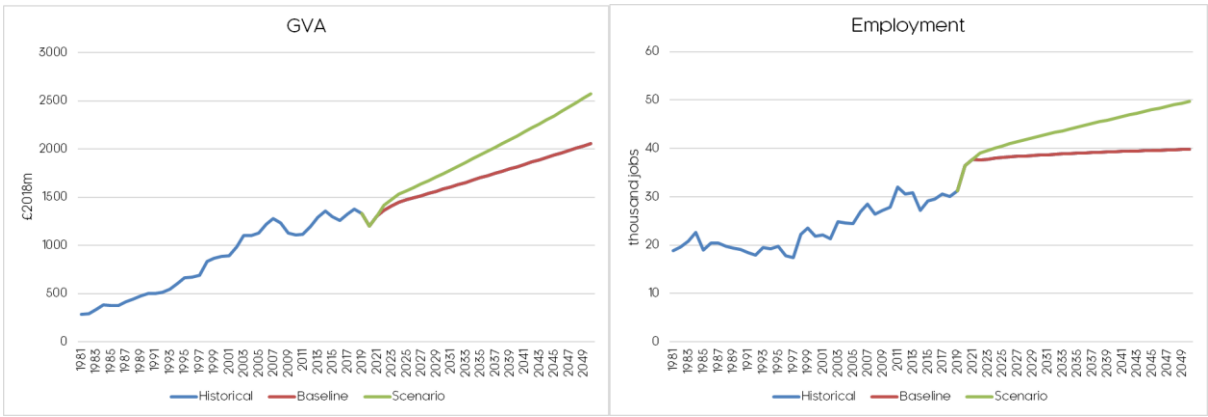


| Focus Sector | Narrative | Difference from baseline 2030 | Difference from baseline 2050 |
|--------------|-----------|-------------------------------|-------------------------------|
|--------------|-----------|-------------------------------|-------------------------------|

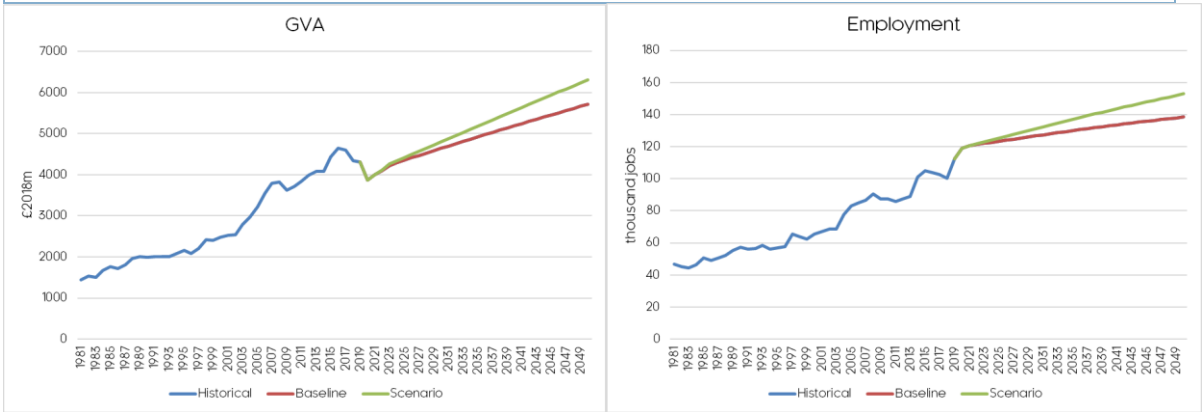
|                          |  |          |            |
|--------------------------|--|----------|------------|
| Lifesciences and biotech | The historic trend is of GVA growth driven by employment growth at stable productivity levels, the baseline projection reverses this, with higher productivity growth expected and a deceleration of employment growth trends. The aspirational scenario combines both employment and productivity growth. | 900 jobs | 2,900 jobs |
|--------------------------|--|----------|------------|



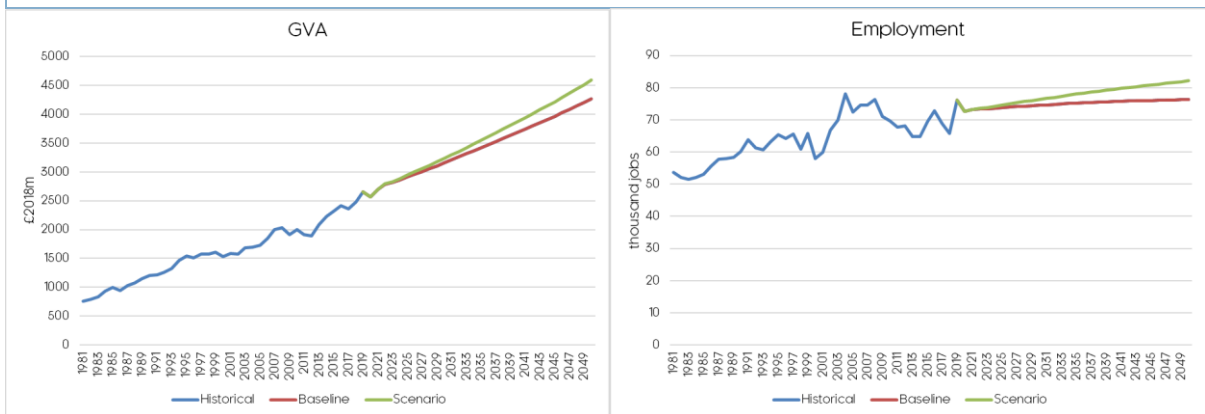
| Focus Sector               | Narrative   | Difference from baseline 2030 | Difference from baseline 2050 |
|----------------------------|---|-------------------------------|-------------------------------|
| Logistics and distribution | Historic trend is of high GVA growth, driven by productivity growth through the 80s and 90s, and employment growth in the past 2 decades. The baseline projection represents a reversion to a more productivity-driven growth trajectory. The aspirational scenario sees both employment and productivity growth. | 3,900 jobs                    | 9,900 jobs                    |



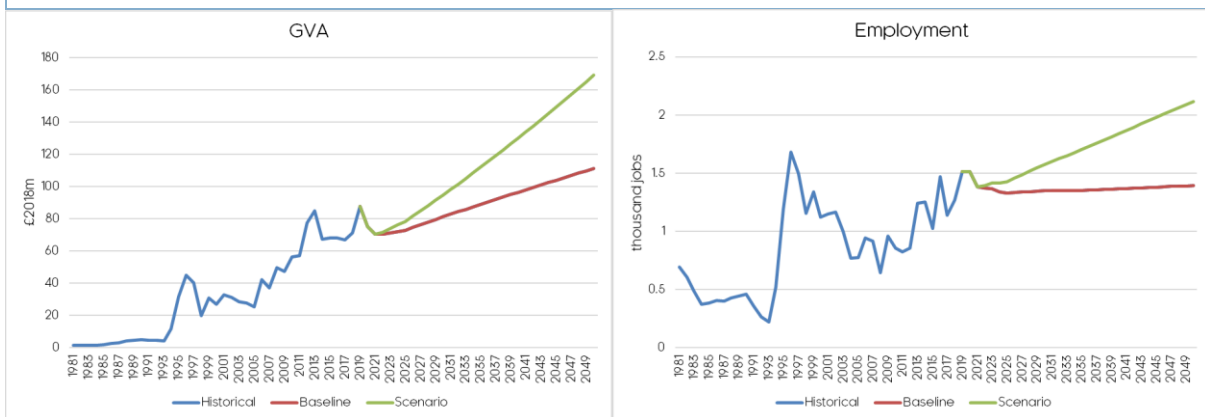
| Focus Sector                        | Narrative  | Difference from baseline 2030 | Difference from baseline 2050 |
|-------------------------------------|--|-------------------------------|-------------------------------|
| Professional and financial services | This is a large sector in the county that has grown strongly. The baseline sees a slight moderation in the future rate of employment growth, the aspirational scenario represents more of a continuation of past trends. | 4,500 jobs                    | 14,500 jobs                   |



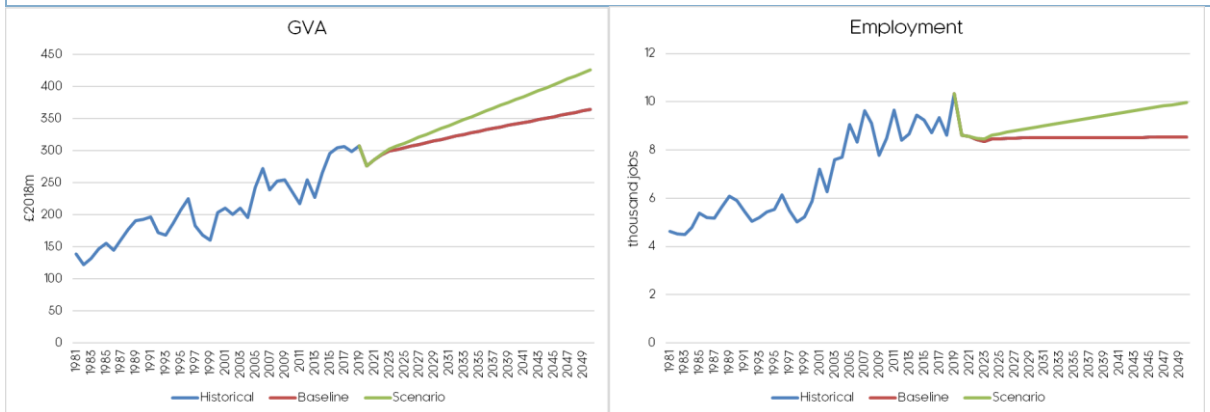
| Focus Sector         | Narrative  | Difference from baseline 2030 | Difference from baseline 2050 |
|----------------------|--|-------------------------------|-------------------------------|
| Retail and Wholesale | This is another large sector in the county with high GVA growth and lower employment growth that is projected to stabilise. The aspirational employment scenario is more similar to the long-run trend here. | 1,800 jobs                    | 5,800 jobs                    |



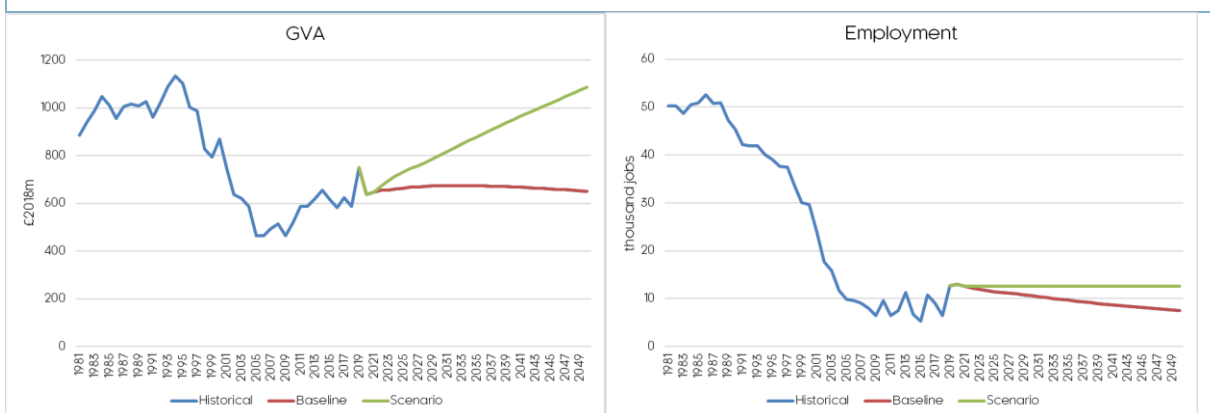
| Focus Sector         | Narrative   | Difference from baseline 2030 | Difference from baseline 2050 |
|----------------------|---|-------------------------------|-------------------------------|
| Space and Satellites | This is a small sector, with a noisy growth trend. The baseline projection is for stable employment numbers going forward, the aspirational scenario carried on the recent growth rate instead. | 200 jobs                      | 700 jobs                      |



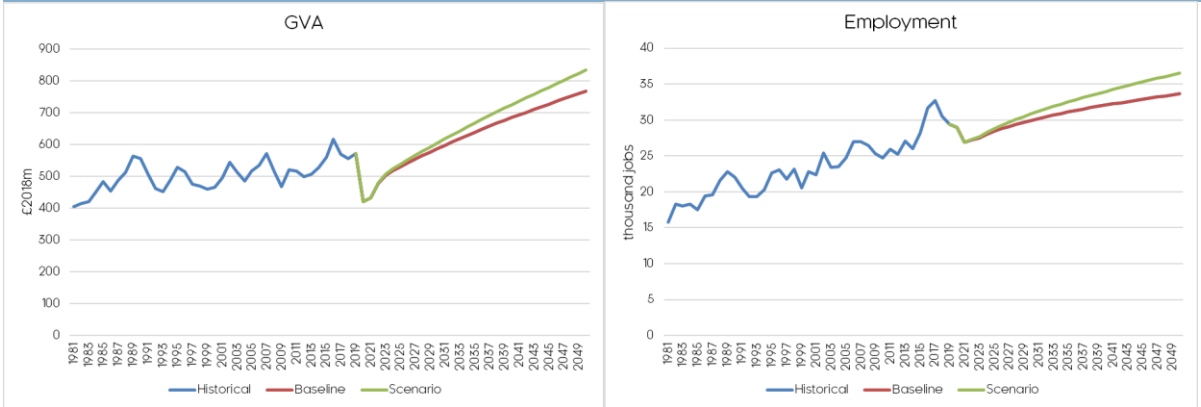
| Focus Sector                 | Narrative  | Difference from baseline 2030 | Difference from baseline 2050 |
|------------------------------|--|-------------------------------|-------------------------------|
| Sports and Physical Activity | History has seen steadily growing GVA, with employment growth falling off in recent decades. The baseline continued this trend. The aspirational scenario represents a return to a steady increase in employment growth. | 400 jobs                      | 1,500 jobs                    |



| Focus Sector         | Narrative   | Difference from baseline 2030 | Difference from baseline 2050 |
|----------------------|---|-------------------------------|-------------------------------|
| Textiles and Fashion | The long-run employment trend has been downwards, although this has stabilised in recent years. The baseline projects further decrease. A suitable assumption here is the maintenance of existing employment. | 2000 jobs                     | 5,000 jobs                    |



| Focus Sector            | Narrative   | Difference from baseline 2030 | Difference from baseline 2050 |
|-------------------------|---|-------------------------------|-------------------------------|
| Tourism and Hospitality | The long-run trend is of slow growth, albeit with a severe COVID impact in the last year. The aspirational scenario is for maintained long-run employment growth rates. | 900 jobs                      | 2,900 jobs                    |



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## 5. HOUSING COSTS AND INCOMES

### Local Prices and Rents

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- 5.1 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need'. For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes).
- 5.2 The analysis below considers the entry-level costs of housing to both buy and rent across the study area. The approach has been to analyse Land Registry and ONS data to establish lower quartile prices and rents. Using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market recognising that the very cheapest properties may be of sub-standard quality.
- 5.3 Data from the Land Registry for the year to September 2020 (i.e. Q4 of 2019 and Q1-Q3 of 2020) shows estimated lower quartile property prices in each local authority by dwelling type. The data shows in Leicester that entry-level costs to buy are estimated to start from about £93,000 for a second-hand flat and rising to £237,000 for a detached home; for Leicestershire these figures are £101,000 and £250,000. Looking at the lower quartile price across all dwelling types the analysis shows a lower quartile 'average' price of £148,000 (existing dwellings) in Leicester and £175,000 for Leicestershire.
- 5.4 The analysis is also split between newly-built and existing dwelling which typically shows higher prices for new homes. For the purposes of analysis in this section, the main focus is on the pricing of existing homes within the area.

**Table 5.1 Lower quartile cost of housing to buy – year to September 2020 – Leicester**

|                 | Existing dwellings | Newly-built dwellings | All dwellings |
|-----------------|--------------------|-----------------------|---------------|
| Flat/maisonette | £93,000            | -                     | £93,000       |
| Terraced        | £145,000           | £139,000              | £145,000      |
| Semi-detached   | £167,000           | £237,000              | £167,000      |
| Detached        | £237,000           | £310,000              | £239,000      |
| All dwellings   | £148,000           | £215,000              | £148,000      |

Source: Land Registry

**Table 5.2 Lower quartile cost of housing to buy – year to September 2020 – Leicestershire**

|                 | Existing dwellings | Newly-built dwellings | All dwellings |
|-----------------|--------------------|-----------------------|---------------|
| Flat/maisonette | £101,000           | £177,000              | £105,000      |
| Terraced        | £140,000           | £190,000              | £140,000      |
| Semi-detached   | £178,000           | £205,000              | £180,000      |
| Detached        | £250,000           | £299,000              | £260,000      |
| All dwellings   | £175,000           | £248,000              | £180,000      |

Source: Land Registry

5.5 The table below shows the same information for local authorities (data for existing dwellings only). When looking at the overall lower quartile price it can be seen that the highest prices are in Harborough and the lowest in Leicester; NWL has the lowest prices outside of the City (and lower prices than Leicester for all dwelling types apart from flat/maisonette).

**Table 5.3 Lower quartile cost of housing to buy (existing dwellings) – year to September 2020 – local authorities**

|            | Flat/<br>maisonette | Terraced | Semi-<br>detached | Detached | All dwellings |
|------------|---------------------|----------|-------------------|----------|---------------|
| Leicester  | £93,000             | £145,000 | £167,000          | £237,000 | £148,000      |
| Blaby      | £121,000            | £158,000 | £188,000          | £245,000 | £190,000      |
| Charnwood  | £108,000            | £142,000 | £180,000          | £255,000 | £168,000      |
| Harborough | £104,000            | £182,000 | £200,000          | £285,000 | £212,000      |
| H & B      | £88,000             | £133,000 | £170,000          | £248,000 | £164,000      |
| Melton     | £97,000             | £135,000 | £169,000          | £240,000 | £169,000      |
| NWL        | £113,000            | £126,000 | £160,000          | £230,000 | £160,000      |
| O & W      | £93,000             | £145,000 | £190,000          | £270,000 | £175,000      |

Source: Land Registry

5.6 It is also useful to provide estimates of property prices by the number of bedrooms in a home. Analysis for this draws together Land Registry data with an internet search of prices of homes for sale (using sites such as Rightmove). In most areas, there was insufficient information about 1-bedroom homes to allow for a reasonable estimate to be made for this size of property. It should also be noted that the figures below are specific to the homes available on the market at the time of the assessment and this will vary over time.



**Table 5.4 Estimated lower quartile cost of housing to buy by size (existing dwellings) – year to September 2020 – local authorities**

|            | 1-bedroom | 2-bedrooms | 3-bedrooms | 4-bedrooms | All dwellings |
|------------|-----------|------------|------------|------------|---------------|
| Leicester  | £85,000   | £138,000   | £210,000   | £270,000   | £148,000      |
| Blaby      | -         | £158,000   | £207,000   | £286,000   | £190,000      |
| Charnwood  | £86,000   | £129,000   | £201,000   | £287,000   | £168,000      |
| Harborough | -         | £167,000   | £230,000   | £338,000   | £212,000      |
| H & B      | -         | £135,000   | £197,000   | £284,000   | £164,000      |
| Melton     | -         | £134,000   | £197,000   | £313,000   | £169,000      |
| NWL        | -         | £115,000   | £184,000   | £257,000   | £160,000      |
| O & W      | -         | £151,000   | £205,000   | £267,000   | £175,000      |

Source: Land Registry and Internet Price Search

- 5.7 A similar analysis has been carried out for private rents using ONS data – this covers a 12-month period to September 2020. For the rental data, information about dwelling sizes is provided (rather than types). The analysis shows costs both including and excluding room rents, although the difference is not significant in most areas apart from Charnwood. The analysis shows an average lower quartile cost (across all dwelling sizes excluding room rents) of between £495 per month in Leicester and £650 in Harborough.

**Table 5.5 Lower Quartile Market Rents, year to September 2020 – Leicester, Blaby, Charnwood and Harborough**

|                     | Leicester | Blaby | Charnwood | Harborough |
|---------------------|-----------|-------|-----------|------------|
| Room only           | £325      | -     | £347      | -          |
| Studio              | £350      | -     | £395      | -          |
| 1-bedroom           | £475      | £485  | £425      | £475       |
| 2-bedrooms          | £560      | £580  | £550      | £620       |
| 3-bedrooms          | £625      | £750  | £650      | £750       |
| 4-bedrooms          | £875      | £835  | £900      | £1,100     |
| All properties      | £475      | £625  | £395      | £650       |
| Excluding room only | £495      | £625  | £515      | £650       |

Source: ONS

**Table 5.6 Lower Quartile Market Rents, year to September 2020 – H & B, Melton, NWL and O & W**

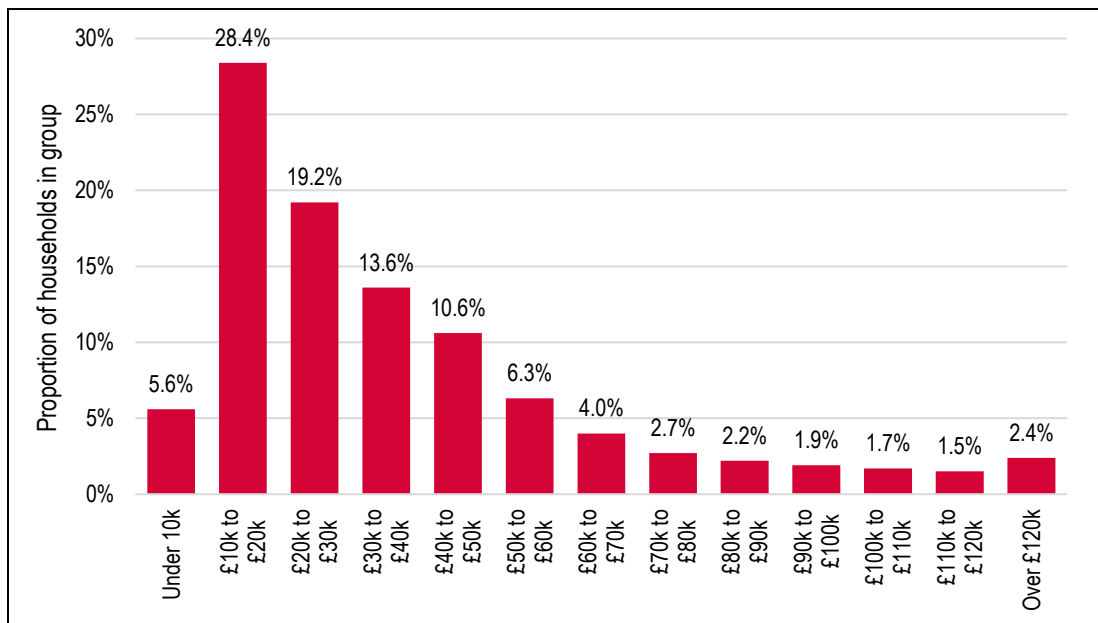
|                     | H & B | Melton | NWL  | O & W  |
|---------------------|-------|--------|------|--------|
| Room only           | -     | £375   | £350 | -      |
| Studio              | £350  | -      | £425 | -      |
| 1-bedroom           | £425  | £375   | £420 | £460   |
| 2-bedrooms          | £550  | £535   | £525 | £575   |
| 3-bedrooms          | £695  | £575   | £625 | £700   |
| 4-bedrooms          | £940  | £860   | £850 | £1,000 |
| All properties      | £550  | £530   | £550 | £600   |
| Excluding room only | £550  | £545   | £555 | £600   |

Source: ONS

### Household Incomes

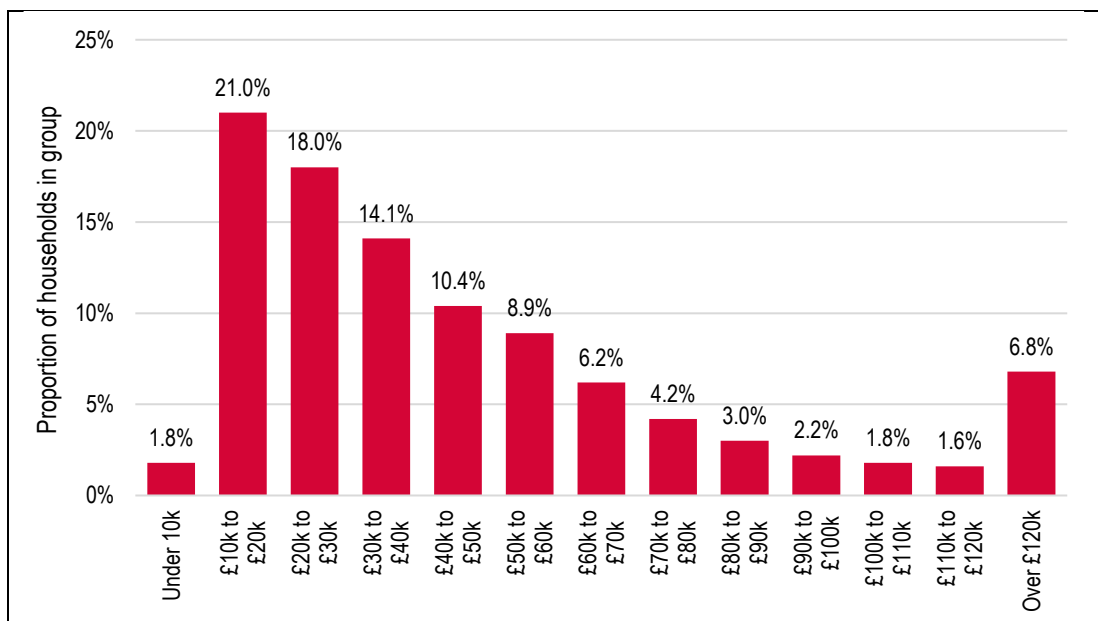
- 5.8 Following on from the assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy). Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes.
- 5.9 Drawing all of this data together an income distribution for each local authority has been constructed for 2020. The figures below show the distribution of income for Leicester and Leicestershire. In Leicester around a third of households have an income below £20,000 with a further third in the range of £20,000 to £40,000. In Leicestershire a lower proportion (about a quarter) of households are estimated to have an income of up to £20,000. For Leicester, the average (mean) income is estimated to be around £37,200, with a median income of £26,300; the lower quartile income of all households is estimated to be £16,300. In Leicestershire, the mean income is estimated to be around £47,900, with a median of £36,400 and a lower quartile of £21,100.

**Figure 7.1: Distribution of household income (2020) – Leicester**



Source: Derived from a range of data as discussed

**Figure 7.2: Distribution of household income (2020) – Leicestershire**



Source: Derived from a range of data as discussed

5.10 Analysis has also been undertaken to estimate how incomes vary by local authority, with the table below showing the estimated median household income in each area, the table also shows the variance in incomes from the study area average. There is some variation in the estimated incomes by area, median figures ranging from £28,300 in Leicester, up to £39,300 in Harborough. It is notable that all authorities in Leicestershire have an average income above the study area average.

**Table 5.7 Estimated average (median) household income by local authority (mid-2020 estimate)**

|                            | Median income | As a % of L & L average |
|----------------------------|---------------|-------------------------|
| Leicester                  | £28,300       | 84%                     |
| Blaby                      | £37,000       | 110%                    |
| Charnwood                  | £35,400       | 105%                    |
| Harborough                 | £39,300       | 117%                    |
| Hinckley & Bosworth        | £35,300       | 105%                    |
| Melton                     | £35,500       | 106%                    |
| North West Leicestershire  | £36,100       | 107%                    |
| Oadby & Wigston            | £37,300       | 111%                    |
| Leicestershire             | £36,400       | 108%                    |
| Leicester & Leicestershire | £33,600       | 100%                    |

Source: Derived from a range of data as discussed

### **Affordability Thresholds**

- 5.11 To assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner occupation (this, along with the first test helps to identify households in the 'gap' between renting and buying). This analysis therefore brings together the data on household incomes with the estimated incomes required to access private sector housing. Additionally, different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households).
- 5.12 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of income is a reasonable start point, it also noted that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).
- 5.13 The threshold of income to be spent on housing should be set by asking the question 'what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy?' The choice of an appropriate threshold is therefore judgement based. The key consideration to understand here is that local income levels are not setting the threshold but are

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simply being used to assess how many can or can't afford market housing. It is important to consider what residual income is left, after households have paid for housing.

5.14 At between £495 and £650 per calendar month, lower quartile rent levels across the study area are either slightly below or slightly above those seen nationally (a lower quartile rent of £560 for England in the year to September 2020 (excluding room rents)). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (the range starting from 25%). Across England the lowest lower quartile rents are around £400 per month (there were a total of 14 local authorities with lower quartile rents not exceeding £400 per month). If these areas are considered to be at the bottom end of the range (i.e. 25% of income to be spent on housing) then this would leave a residual income of £1,200 per month. With the same residual income applied to a £550 rent, the gross household income required to afford a £550 PCM lower quartile rent would be £1,750 and so the percentage spent on housing would be 31%.

5.15 However, it needs to be considered that the cost of living in different areas will vary, and it is likely that areas where rents are higher will also generally have higher living costs. Therefore, a pragmatic approach to determining a reasonable proportion of income has been to take a midpoint between the bottom (25%) and the equivalent residual income figure (31% if looking at the example given above). In this example a threshold of 28% would therefore be considered as reasonable. Different figures are therefore used for each local authority, and these are set out below:

- Leicester – 27%
- Blaby – 30%
- Charnwood – 28%
- Harborough – 30%
- Hinckley & Bosworth – 28%
- Melton – 28%
- North West Leicestershire – 28%
- Oadby & Wigston – 29%

5.16 In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for the purposes of this assessment these households would essentially be assumed as ideally having some form of subsidised rent so as to ensure a sufficient level of residual income.

5.17 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices (and affordability) are important when looking at the need for affordable home ownership.

5.18 For the purposes of this assessment, the income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their salary. These assumptions are considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case-by-case basis.

5.19 The table below shows the estimated incomes required to both buy and rent (privately) in each local authority. This shows a notable 'gap' in most areas across the study area, particularly locations with higher house prices. The information in the tables below is taken forward into further analysis in this section to look at affordable needs in different locations.

**Table 5.8 Estimated Household Income Required to Buy and Privately Rent by local authority – Leicester & Leicestershire**

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

Source: Based on Housing Market Cost Analysis

## 6. COMPARISON OF RENT LEVELS IN DIFFERENT AREAS

**Table 6.1 Comparison of rent levels for different products – Leicester (2019/20)**

|            | Social rent | Affordable rent (AR) | Lower quartile (LQ) market rent | Median market rent | AR as % of LQ | AR as % of median |
|------------|-------------|----------------------|---------------------------------|--------------------|---------------|-------------------|
| 1-bedroom  | £302        | £392                 | £475                            | £525               | 82%           | 75%               |
| 2-bedrooms | £357        | £443                 | £560                            | £630               | 79%           | 70%               |
| 3-bedrooms | £391        | £510                 | £625                            | £710               | 82%           | 72%               |
| 4-bedrooms | £466        | £617                 | £875                            | £1,050             | 70%           | 59%               |
| All        | £358        | £473                 | £495                            | £610               | 96%           | 78%               |

Source: RSH and ONS

**Table 6.2 Comparison of rent levels for different products – Blaby (2019/20)**

|            | Social rent | Affordable rent (AR) | Lower quartile (LQ) market rent | Median market rent | AR as % of LQ | AR as % of median |
|------------|-------------|----------------------|---------------------------------|--------------------|---------------|-------------------|
| 1-bedroom  | £313        | £379                 | £485                            | £530               | 78%           | 72%               |
| 2-bedrooms | £370        | £460                 | £580                            | £625               | 79%           | 74%               |
| 3-bedrooms | £406        | £530                 | £750                            | £790               | 71%           | 67%               |
| 4-bedrooms | £483        | £629                 | £835                            | £965               | 75%           | 65%               |
| All        | £373        | £469                 | £625                            | £725               | 75%           | 65%               |

Source: RSH and ONS

**Table 6.3 Comparison of rent levels for different products – Charnwood (2019/20)**

|            | Social rent | Affordable rent (AR) | Lower quartile (LQ) market rent | Median market rent | AR as % of LQ | AR as % of median |
|------------|-------------|----------------------|---------------------------------|--------------------|---------------|-------------------|
| 1-bedroom  | £319        | £374                 | £425                            | £475               | 88%           | 79%               |
| 2-bedrooms | £386        | £461                 | £550                            | £595               | 84%           | 77%               |
| 3-bedrooms | £442        | £521                 | £650                            | £725               | 80%           | 72%               |
| 4-bedrooms | £513        | £582                 | £900                            | £1,050             | 65%           | 55%               |
| All        | £391        | £466                 | £515                            | £640               | 91%           | 73%               |

Source: RSH and ONS

**Table 6.4 Comparison of rent levels for different products – Harborough (2019/20)**

|           | Social rent | Affordable rent (AR) | Lower quartile (LQ) market rent | Median market rent | AR as % of LQ | AR as % of median |
|-----------|-------------|----------------------|---------------------------------|--------------------|---------------|-------------------|
| 1-bedroom | £332        | £402                 | £475                            | £525               | 85%           | 77%               |

|            |      |      |        |        |     |     |
|------------|------|------|--------|--------|-----|-----|
| 2-bedrooms | £385 | £472 | £620   | £650   | 76% | 73% |
| 3-bedrooms | £415 | £533 | £750   | £795   | 71% | 67% |
| 4-bedrooms | £467 | £693 | £1,100 | £1,200 | 63% | 58% |
| All        | £383 | £474 | £650   | £725   | 73% | 65% |

Source: RSH and ONS

**Table 6.5 Comparison of rent levels for different products – Hinckley & Bosworth (2019/20)**

|            | Social rent | Affordable rent (AR) | Lower quartile (LQ) market rent | Median market rent | AR as % of LQ | AR as % of median |
|------------|-------------|----------------------|---------------------------------|--------------------|---------------|-------------------|
| 1-bedroom  | £329        | £372                 | £425                            | £475               | 88%           | 78%               |
| 2-bedrooms | £385        | £457                 | £550                            | £600               | 83%           | 76%               |
| 3-bedrooms | £425        | £503                 | £695                            | £750               | 72%           | 67%               |
| 4-bedrooms | £527        | £614                 | £940                            | £1,000             | 65%           | 61%               |
| All        | £388        | £455                 | £550                            | £650               | 83%           | 70%               |

Source: RSH and ONS

**Table 6.6 Comparison of rent levels for different products – Melton (2019/20)**

|            | Social rent | Affordable rent (AR) | Lower quartile (LQ) market rent | Median market rent | AR as % of LQ | AR as % of median |
|------------|-------------|----------------------|---------------------------------|--------------------|---------------|-------------------|
| 1-bedroom  | £304        | £371                 | £375                            | £425               | 99%           | 87%               |
| 2-bedrooms | £393        | £457                 | £535                            | £575               | 85%           | 79%               |
| 3-bedrooms | £427        | £467                 | £575                            | £650               | 81%           | 72%               |
| 4-bedrooms | £464        | £699                 | £860                            | £1,100             | 81%           | 64%               |
| All        | £391        | £460                 | £545                            | £600               | 84%           | 77%               |

Source: RSH and ONS

**Table 6.7 Comparison of rent levels for different products – North West Leicestershire (2019/20)**

|            | Social rent | Affordable rent (AR) | Lower quartile (LQ) market rent | Median market rent | AR as % of LQ | AR as % of median |
|------------|-------------|----------------------|---------------------------------|--------------------|---------------|-------------------|
| 1-bedroom  | £318        | £367                 | £420                            | £450               | 87%           | 82%               |
| 2-bedrooms | £374        | £444                 | £525                            | £575               | 85%           | 77%               |
| 3-bedrooms | £407        | £504                 | £625                            | £678               | 81%           | 74%               |
| 4-bedrooms | £453        | £688                 | £850                            | £995               | 81%           | 69%               |
| All        | £373        | £439                 | £555                            | £615               | 79%           | 71%               |

Source: RSH and ONS



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**Table 6.8 Comparison of rent levels for different products – Oadby & Wigston (2019/20)**

|            | Social rent | Affordable rent (AR) | Lower quartile (LQ) market rent | Median market rent | AR as % of LQ | AR as % of median |
|------------|-------------|----------------------|---------------------------------|--------------------|---------------|-------------------|
| 1-bedroom  | £322        | £347                 | £460                            | £500               | 75%           | 69%               |
| 2-bedrooms | £388        | £462                 | £575                            | £625               | 80%           | 74%               |
| 3-bedrooms | £428        | £542                 | £700                            | £775               | 77%           | 70%               |
| 4-bedrooms | £471        | £573                 | £1,000                          | £1,100             | 57%           | 52%               |
| All        | £391        | £468                 | £600                            | £695               | 78%           | 67%               |

Source: RSH and ONS

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