Response to Milton Keynes Core Strategy
Examination in Public Hearings
July 2012

Matter 3 – Housing Provision
Matter 4 – Economy

24th May 2012

SQW Consulting
Beckwith House
11-13 Wellington Road North
Stockport
SK4 1AF
0161 475 2108
Contents

1: Purpose of the Report.................................................................................................................. 1
2: Matter 4: Economy and Town Centres....................................................................................... 2
3: Matter 3: Overall Housing Provision .......................................................................................... 15

Annex A: Extract from Roger Tym and Partners Report.......................................................... A-1
Annex B: Extract from ONS Statistical Bulletin........................................................................ B-2
1: Purpose of the Report

1.1 This report has been prepared for Fox Land & Property (FLP) acting on behalf of the Bow Brickhill Consortium to prepare a response to the independent examination of the Milton Keynes Core Strategy, especially in respect of Matter 3 – Overall Housing Provision and Matter 4 – Economy and Town Centres.

1.2 With regard to Matter 3, the report addresses Issue 3.1 (i.e. the question of whether the overall housing figure is soundly based).

1.3 With regard to Matter 4, the report addresses several of the matters and issues that will be heard at the hearing on 10th July 2012, and in particular the following:

- Whether the jobs per dwelling ratio that is proposed in the Core Strategy has been properly justified (Issue 4.1(i))
- Whether the Employment Land Study scenario 2 still relevant, given the economic downturn and is it supported by demographic evidence (Issue 4.1(ii))
- How the implications of the jobs-to-dwellings ratio relates to the information contained in Table 5.3 of the Core Strategy (Issue 4.1(iv))
- Is there a sound basis for the promotion of knowledge-based employment and for less emphasis on logistics and warehousing employment (Issue 4.2)
- Will the existing and proposed employment locations provide the quantity and range of sites required to meet identified needs (Issue 4.3)
- The role of Central Milton Keynes and its role and potential for growth (Issue 4.6)
- With regard to Matter 4, the report addresses several of the matters and issues that will be heard at the hearing on 10th July 2012, and in particular the following:

1.4 For that reason, the report treats the Matters in ‘reverse order’, with Matter 4 discussed first followed by Matter 3.
2: Matter 4: Economy and Town Centres

Jobs to Dwellings Ratio

2.1 A key issue for the Inquiry is the jobs per dwellings ratio proposed in the Core Strategy. The to-be-revoked South East Plan (SEP) proposed a ratio of 1.0:1.0 for the provision of new jobs and dwellings in Milton Keynes so as to not exacerbate the problems of in-commuting. The Core Strategy seeks an employment growth rate of 1.5 jobs per dwelling over the period 2010-2026. The proposed target ratio of 1.5:1.0 is based on the average rate achieved in Milton Keynes (Milton Keynes) between 1998 and 2007.  

2.2 Elsewhere in the Core Strategy the target for provision of new dwellings is set at 28,000 for the 2010-2026 period. The implication of the proposed policy of a 1.5:1.0 jobs-to-dwellings ratio, therefore, is that the total number of jobs sought for Milton Keynes over the 2010-2026 period is about 42,000, which equates to an average of 2,625 net jobs per annum over this period.

2.3 We contend that over the long term, the jobs-to-dwellings ratio in any functional economic area is driven by a number of factors, including:

- the average number of households to dwellings (which in turn can be influenced by a variety of factors, such as second home ownership and/or multiple occupancy of dwellings houses by more than one family)
- the number of working age persons living in the household and the economic activity rates of those people
- the proportion of workers to the overall population
- the ratio of jobs to workers

2.4 Research prepared by Roger Tym & Partners in 2006 on behalf of ODPM and GOSE suggested that an average jobs-to-dwellings ratio for the South East region as a whole of 1.20:1.00 for 2006. Moreover, the same report suggested that the overall average ratio for the region would decline to 1.17:1.00 by 2026.

2.5 The rationale for a declining jobs-to-dwellings ratio is the demographic trend towards fewer working age persons per household, which reflects in turn the ageing of the South East England population over this time period, which *inter alia* is projected by ONS Population Projections.

2.6 However, it is not unusual for successful (that is, growing) urban areas such as Milton Keynes to experience jobs-to-dwellings ratios in excess of regional averages. A chronic excess of jobs

---

2 Augmenting the Evidence Base for the Examination in Public of the South East Plan, Roger Tym & Partners, May 2006, page 5
growth over local housing provision can have a number of adverse consequences, however, including:

- extended commuting patterns – with negative consequences for sustainability – as people are forced to travel further from their place of residence to access employment opportunities
- a risk of encouraging overcrowding in the available stock of housing.

2.7 Moreover, the failure to supply sufficient quanta of new housing to meeting the needs of a growing workforce can also be expected to adversely affect the affordability of housing (as demand that is chronically in excess of supply will result in increases in the real price of housing). A shortage of affordable housing can cause social problems, including overcrowding and concentrations of deprivation in particular areas.

**Justification for the 1.5:1.0 ratio**

2.8 The ratio of 1.5:1.0 that is proposed in the Milton Keynes Core Strategy is justified therein on the basis of its approximation to the average that was achieved over the 1998-2007 period. On the basis of the proposed 28,000 dwellings target, the application of a mechanical ratio of 1.5:1.00 implies a ‘target’ of 42,000 jobs over the 2010-2026 period, equivalent to an average of 2,650 per annum over that period.

2.9 There are several problems, however, with relying on historical performance for the setting of future targets for both housing and employment:

2.10 For housing, the number of dwellings provided in the 1998-2007 period was a result of the interplay of both housing market conditions over that period, and the continuity or otherwise of housing supply. The latter was in turn influenced by factors including the planning policies that prevailed over that period (and the period that preceded it), the availability of Government funding for infrastructure, and incentives for the development of affordable housing.

2.11 However, in terms of the market trends, site availability, funding for infrastructure and subsidies for affordable housing, there are good reasons to believe that the circumstances that will prevail over the period to 2026 will be very different to those that existed previously.

2.12 With regard to employment, the macro-economic environment – at least in the short-to-medium term is likely to be very different to that in place over the 1998-2007 period, with some sectors favoured and others disfavoured by the macro-economic circumstances that now prevail. The pattern of growth across sectors and types of businesses is, therefore, very likely to be quite different in the 2010-2026 period compared to that which occurred in the 1998-2007 period.

2.13 Given the very different macro-economic circumstances and opportunities that now apply, the conclusion must surely be that Milton Keynes Council be advised to embark on new, forward-looking analysis to understand the potential growth prospects of its employment base, rather than rely on evidence gathered during the pre-credit crunch and recessionary conditions that have prevailed since 2008.
2.14 It would be particularly inappropriate, in our view, to rely on the conclusions of forward-looking research that has been overtaken by events, which is the case with the scenarios that were generated as long ago as 2007 in the form of the ELS undertaken by GVA Grimley. Too much has occurred in the international and national economies since 2007, in our view, for any reliance to be placed on the results of this work.

2.15 Instead, new, forward looking research should be commissioned that assessed future employment growth potential. In the absence of the Council having done this work, we have undertaken to provide our own analysis, based on current econometric forecasts and our interpretation of the Council’s planning policy and economic strategy ambitions. We provide this analysis in the next sub-section of this report.

2.16 Our overall conclusions in respect of issue 4.1 (i), therefore, is as follows.

- The proposed jobs-to-dwellings ratio has not been properly justified, and relies overly on a rolling forward of employment and housing market trends from a previous period (1998-2007) that are unlikely to be replicated in the future 2010-2026 period.
- Instead, the Council should undertake new analysis that takes on board current and expected future market conditions and underlying economic trends.

**ELS Scenarios for Milton Keynes**

2.17 A key influence on the preparation of the Core Strategy targets was the 2007 Milton Keynes Employment Land Study (ELS) undertaken by GVA Grimley. This study involved the production of two future employment growth scenarios for Milton Keynes, which can be summarised as follows:

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basis of assumptions</strong></td>
<td><strong>Basis of assumptions</strong></td>
</tr>
<tr>
<td>Assumed linear employment growth 2005-2021 and then on to 2031 based on MKSM scenario values</td>
<td>Assumed ‘recent’ average job growth (3,750 p.a.) continues into the future to 2031</td>
</tr>
<tr>
<td>Assumes straight line sector trend for all sectors 2004-2021 and then on to 2031</td>
<td>Jobs reference values determined using ‘more than’ 1.5 jobs per new house</td>
</tr>
<tr>
<td>Jobs reference values determined using 1 job per new house</td>
<td></td>
</tr>
</tbody>
</table>

**Scenario Results**

<table>
<thead>
<tr>
<th>Scenario 1 Results</th>
<th>Scenario 2 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004 employment base was 133,430</td>
<td>2004 employment base was 133,430</td>
</tr>
<tr>
<td>Employment base grows to 171,600 by 2021</td>
<td>Employment base grows to 197,200 by 2021</td>
</tr>
<tr>
<td>Employment base grows to 194,000 by 2031</td>
<td>Employment base grows to 234,700 by 2031</td>
</tr>
</tbody>
</table>

2.18 The alternative scenarios generated the following average annual targets for new employment and housing creation in Milton Keynes.
Table 3-1: Results of the 2007 ELS

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average employment p.a.</td>
<td>2,245</td>
</tr>
<tr>
<td>Associated dwellings target p.a.</td>
<td>2,245</td>
</tr>
</tbody>
</table>

Source: SQW, based on data and evidence in the 2007 ELS (GVA Grimley)

2.19 Clearly, the ELS scenarios were prepared prior to the onset of the 2007 credit crunch and the advent of the 2008-2009 recession. Neither of the 2007 ELS scenarios anticipated the timing, extent or consequences of the subsequent recession. Instead, the forecasts were predicated on assumptions of continuing, linear growth.

2.20 It is worth noting that if the Council does take the view that the 2007 ELS provide a basis upon which to plan for future housing needs, it is clear that the proposed Core Strategy policy of providing for 28,000 dwellings over the 2010-2026 period (that is, 1,750 dwellings per year) would be insufficient to meet the needs of either of the scenarios that were generated during the 2007 ELS study.

2.21 That is, the proposed provision of just 1,750 dwellings per annum would meet the housing needs of either of the 2007 ELS scenarios.

2.22 The question which naturally arises, however, is to what extent do the 2007 ELS scenarios analysis remain relevant to the consideration of future employment growth trajectories in Milton Keynes.

2.23 SQW considers that it would be appropriate to reconsider the potential future employment growth trajectories for Milton Keynes in the light of current macroeconomic conditions, underlying econometric forecasts for Milton Keynes (and the region and the national economy as a whole) and current policy and strategy ambitions – both national and local.

2.24 Our conclusions regarding Issue 4.1 (ii), therefore, are that:

- The 2007 ELS scenarios are now badly out of date, and need to be refreshed based on more recent data, an analysis of current econometric forecasts, and the changed policy and strategy environment.

- However, for reasons described above, if the Council does take the view that the 2007 ELS provide a basis upon which to plan for future housing needs, it is clear that the proposed Core Strategy policy of providing for 28,000 dwellings over the 2010-2026 period is insufficient to meet the housing needs that are associated with either of the scenarios that were generated during the 2007 ELS study.

2.25 As a contribution towards this process, SQW has generated a set of up-to-date (April 2012) economic scenarios associated with alternative growth ambitions, using a method similar to that deployed by GVA Grimley in 2007.

Updated Economic Scenario for Milton Keynes

2.26 Having considered the results of the 2007 ELS scenarios, in this sub-section we develop an updated economic scenario for Milton Keynes, focusing on future prospects for employment.
growth given the circumstances that now prevail. The first step in building this scenario is to examine the recent performance of the Milton Keynes economy

Milton Keynes: past and recent economic performance

2.27 Milton Keynes economy has outperformed both average UK and average regional performance in recent decades. In the ten years leading up to the recent economic downturn, Milton Keynes increased its employment base by an average of around 2,700 jobs per annum. As a result, the Milton Keynes employment base grew by nearly 30% from the period 1998/99 to 2008/09. The largest single contributor to this growth was the expansion of the financial services sector, which accounted for an increase in over 17,500 jobs. According to recent ONS data, financial services businesses account for around 42% of the business population (i.e. business establishments) in Milton Keynes.

2.28 The strong growth of the Milton Keynes economy is based on a number of key advantages, including proximity to London and its being well served by key infrastructure including the West Coast Main Line railway and the M1 motorway.

2.29 Milton Keynes provides a base for a number of major companies including Santander and the Home Retail Group (Argos). Even more importantly, Milton Keynes has also become home to many smaller businesses, particularly those operating in ‘knowledge economy’ sectors such as information technology, architecture, engineering, media, R&D and education. The proportion of Milton Keynes workers who are employed in the knowledge economy is estimated to be around 35%, one of the highest proportions in the Southeast region.

2.30 Milton Keynes has also been successful as a location for new business starts. New business starts (expressed as a proportion of the working age population) in Milton Keynes over the 2004-2009 period exceeded the South East average by up to 15% per annum and the national average by up to 25%. The ability of Milton Keynes to stimulate and/or attract new business start ups in a significant factor in ensuring long term economic growth and resilience.

2.31 The success of Milton Keynes in growing its employment base has also been reflected in a trend towards higher relative workplace-based earnings. In the early 2000s average workplace-based earnings in Milton Keynes were around 95% of the regional average. By 2009 average workplace-based earnings in Milton Keynes were around 103% of the regional average.

2.32 One of the less welcome aspects of the success of Milton Keynes has been the growth of commuting. Data from the ONS suggests that in the period 2001-2008 net in-commuting into Milton Keynes increased from 16,000 (38,000 in – 22,000 out) to 35,000 (53,000 in – 18,000 out). The reduction in the numbers of out-commuting journeys over this period illustrates how successful Milton Keynes has been in growing job opportunities: around 4,000 net people who were previously travelling out of Milton Keynes to work instead were able to find employment opportunities locally.

3 Source: ONS, Annual Survey of Hours and Earnings
Unlike many parts of the country, job growth in Milton Keynes over the past 10-12 years has been driven primarily by growth in the private sector employment base, particularly among SMEs. Moreover, the private sector business base in Milton Keynes has an above average representation among knowledge-intensive industries, many of whom operate in business sectors with above average growth prospects over the next 5-15 years.

Of particular importance is the fact that Milton Keynes is particularly successful at providing a home for new SMEs. Data from BIS\(^4\) argues that new start enterprises and SMEs were responsible for around 73% of new job growth in the UK economy over the ten year period to 2007, with most of the remainder accounted for by the public sector. Economic forecasts produced by the Office for Budget Responsibility suggests that the public sector is expected to shrink rather than grow in the next 5 years at least, so the SME\(^5\) and new enterprise sector is vital important as a source of replacement job creation and future prosperity.

A corollary is that Milton Keynes has a relative lack of dependency on the public sector for jobs. This implies that Milton Keynes is less vulnerable to public sector job losses as the UK enters a period of fiscal austerity with the likelihood of significant job losses in central and local government.

Based on the current structure of its economy, Milton Keynes is therefore better placed than many other locations to benefit from the expected future growth in the UK business base as the international and national economic situation returns to normality. Indeed, the Council acknowledges\(^6\) this point in its Core Strategy Technical Paper, where it states that Milton Keynes is better placed than many locations in England to experience the economic recovery.

**SQW Scenarios**

SQW has developed more up-to-date employment growth scenarios for Milton Keynes. These scenarios are based on much more recent econometric forecasts for the national and regional economies – dated December 2012 – produced by Oxford Economic Forecasting.

The process of developing up-to-date employment growth scenarios for Milton Keynes by SQW was as follows:

- First, we obtained the most up-to-date data for employment in Milton Keynes, broken down into broad industrial sectors using Standard Industrial Classifications (SICs). The data source is the BRES survey conducted by the ONS, and is the most reliable estimate of employment in sub-national areas in the UK. The most up-to-date data at the time of writing is the 2010 data released towards the end of 2011.

- Second, the latest sector growth estimates for the period 2010-2026 have been obtained for the Southeast region. The source used for these future growth forecasts is Oxford Economic Forecasting (OEF), a highly respected source of econometric forecasts for the UK and its sub-national areas covering employment, investment and productivity growth variables.

\(^4\) BIS is the Department for Business, Innovation and Skills (formerly the Department for Trade and Industry)
\(^5\) SMEs = small-to-medium sized enterprises
\(^6\) Milton Keynes Council Core Strategy Employment Technical Paper, page 3
Third, the regional OEF sectoral forecasts are applied to the 2010 sector-based employment data for Milton Keynes, with adjustments to the regional forecasts made for Milton Keynes, to reflect the key characteristics of the Milton Keynes that have been discussed in this report (e.g. higher rates of new business formation, higher average knowledge intensity of the business base, lower dependency on the public sector for employment, etc.).

This approach is very similar to that used by GVA Grimley in developing the ‘policy on’ scenario for Milton Keynes in the 2007 Employment Land study (ELS). The key difference is that up-to-date assumptions have been used for the underlying trends for business growth under the baseline scenario, and more conservative assumptions have also been deployed for the ‘policy on’ scenario compared to what GVA thought was appropriate at the time of the 2007 ELS.

The assumptions used in the SQW scenario are set out in the table below. The figures represent the average annual rate of change of employment in each of the broad sectors over the 2010-2026 period, and are based on the underlying assumptions contained in the OEF econometric model.

The figures in the table are summaries: the underlying model divides the economy into 26 sectors, where manufacturing and public services in particular are disaggregated into sub-component parts.

<table>
<thead>
<tr>
<th>Sector</th>
<th>SQW Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Construction</td>
<td>1.7%</td>
</tr>
<tr>
<td>Distribution</td>
<td>1.5%</td>
</tr>
<tr>
<td>Hotels</td>
<td>1.2%</td>
</tr>
<tr>
<td>Transport &amp; communications</td>
<td>1.2%</td>
</tr>
<tr>
<td>Financial services</td>
<td>1.0%</td>
</tr>
<tr>
<td>Business services</td>
<td>2.6%</td>
</tr>
<tr>
<td>Public admin &amp; defence</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: SQW, based on annual sector forecasts produced by Oxford Economic Forecasting

By applying these sector growth forecasts to the baseline data for individual sectors, we estimate the expected sector-based sources of job growth over the 2010-2026 period. The results of the SQW scenario are set out in the table below.

<table>
<thead>
<tr>
<th>SQW scenario</th>
<th>2010-2026 employment change</th>
<th>Average jobs p.a. 2010-2026</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>47,800</td>
<td>2.988</td>
</tr>
</tbody>
</table>

Source: SQW
2.43 Compared to the 2007 GVA scenarios, the 2012 SQW scenario is less optimistic. The SQW scenario predicts an average of 2,988 jobs per annum over the period to 2026, which falls about half-way between the equivalent totals for the two GVA 2007 scenarios. The SQW analysis reflects the current consensus that the first half of the decade starting 2011 will most likely experience more sluggish growth than the 10-year period that preceded the 2007 credit crunch and consequent recession.

2.44 However, the SQW scenario still predicts a higher level of average annual employment growth (2,988 p.a.) than is now anticipated by the Milton Keynes Core Strategy, which is predicated on an average of 2,625 jobs per annum over the same 2010-2026 period.

2.45 For the reasons already discussed above – and as acknowledged by the commentary in Milton Keynes Council’s Employment Technical Paper – there are good reasons for believing that Milton Keynes is better placed than most to experience an earlier and stronger recovery, based on the resilience of a knowledge-intensive SME base and less comparative reliance on the public sector for jobs.

2.46 SQW is confident, therefore, that the actual employment change that will be experienced in Milton Keynes over the 2010-2026 period will be consistent with the Higher Growth scenario as described above, rather than the 2,625 jobs per annum average that is now proposed by the Core Strategy.

2.47 What are the implications for future housing need in Milton Keynes based on the SQW scenario? First, the results are summarised in the table below.

<table>
<thead>
<tr>
<th>Table 3-4: Summary Results of SQW Scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected job growth 2010-2026</td>
</tr>
<tr>
<td>Milton Keynes Proposed Dwellings Provision</td>
</tr>
<tr>
<td>Ratio</td>
</tr>
<tr>
<td>Dwellings needed if 1.5 ratio utilised</td>
</tr>
<tr>
<td>Annual dwellings needed</td>
</tr>
<tr>
<td>Dwellings needed if 1.0 ratio utilised</td>
</tr>
<tr>
<td>Annual dwellings needed</td>
</tr>
</tbody>
</table>

Source: SQW

2.48 The implication of the SQW scenario (whereby around 47,800 jobs will be generated in Milton Keynes over the 2010-2026 period), is that if the Council continue to plan for 28,000 additional dwellings then the ratio of jobs to dwellings would rise to 1.71.

2.49 However, if the Council remained determined to apply a ratio of 1.5 jobs per dwelling, then the number of dwellings needed would be 31,867 (1,992 per year).

2.50 On the other hand, if the Council decided that the local authority should meet its own economic growth driven needs (i.e. a ratio of 1:1), then number of additional dwellings would rise to 47,800 (2,988 per year).
2.51 It should be noted, however, that none of these estimates take into account the additional need for housing to cater for demographic change (people living longer, rates of marriage and divorce, etc.) and the backlog of need for people to be housed appropriately. (These matters are considered separately in the response to Inspector’s Matter 3, in the next chapter of this report).

2.52 The key final question is whether the SQW scenario can be regarded as plausible and likely. We consider that the answers to both questions are ‘yes’, on the basis of the following Milton Keynes attributes:

- an exceptional business location vis-à-vis London and the main south-north transport infrastructure
- possession of high quality environment for business and a reputation for being business friendly
- a proven ability to generate new business births in excess of regional averages, especially in sectors with above-average growth potential
- an above average representation of ‘high-knowledge’ SMEs in the business population
- although the public sector is important, Milton Keynes unlike many areas is not over-dependent on the public sector for jobs
- possession of a skilled workforce
- provision of adequate supplies of good quality employment land

2.53 On this basis we are confident that Milton Keynes will continue to outperform the average annual growth rate for employment compared to regional averages.

2.54 The implication of this conclusion, therefore, is that the proposed provision of 1,750 dwellings per year as is suggested by the Core Strategy will not be adequate to meet the future housing needs of Milton Keynes. The further implication is that without adequate provision for housing, the pattern of commuting will become even more weighted towards a larger net inflow of daily in-commuting from neighbouring districts, which would be counter to Government policies regarding sustainability.

Implications for the other Matters 4 Issues

2.55 A number of other implications flow from the analysis presented above. These are introduced and discussed in turn below.

**Housing Provision and Future Economic Competitiveness**

2.56 First, there has been continued concern about the potential interaction between the failure nationally to provide sufficient housing and the performance of the economy as a whole. This concern led the Government to launch the Barker Review in 2003. The Barker Review concluded that there is evidence of persistent under supply of housing in the UK and that this
has contributed to instability in the housing market, and to the long run rate of real house price increases outstripping that experience in other European nations. In turn this has contributed to macroeconomic volatility, creating a more difficult environment for businesses and for economic policy makers.

2.57 While concern with macro-economic stability was the prime reason for the launch of the Barker Review, the report also recognised that there are also important micro-economic effects that flow from under supply of housing in some areas of the country and over supply in other areas. In particular, the Barker Review also noted the adverse consequences resulting from:

- the long-run upward trend of house prices
- worsening affordability
- wealth redistribution
- labour market immobility and;
- economic welfare costs.

2.58 All of these factors have the potential to generate long-term adverse consequences for Milton Keynes. Moreover, there are a number of mechanisms by which mismatches between housing demand and supply can result in reduced economic competitiveness and productivity, particularly when insufficient housing supply results in increased house price differentials which in turn reduces labour market mobility, characterised by features such as:

- homeowners and non-homeowners from regions/areas with lower average house prices cannot afford to move to areas with higher house prices
- homeowners from regions/areas with higher average house prices may be reluctant to move if they fear they may not ultimately be able to afford to return
- people may be discouraged to sell during periods where house prices may (temporarily) be falling, thereby encouraging a reluctance to move

2.59 There is also some evidence that high relative housing costs acts as a significant constraint on the ability of businesses to invest in their businesses. For example, a business survey in South East England found 13% of companies affected by high housing costs were deferring or cancelling investment in their company due to rising costs or a lack of competitiveness. Moreover, the same survey found that 25% of companies surveyed that had experienced difficulty in recruiting and retaining staff due to high housing costs had taken steps to reduce their demand for labour. These steps included substituting capital for labour, or moving parts of their business to lower cost centres of production. There is even evidence that this can take place in people-intensive industries where it is commonly thought to be difficult to substitute capital for labour. In those situations cheaper offshoring (i.e. non-UK locations) are made increasingly attractive.
2.60 All of these factors represent potential dangers for Milton Keynes if the consequence of the Council’s planning policies result in an aggravation of the undersupply of housing at a time when the employment base should be growing strongly.

2.61 It is also the case that housing shortages may cause particular difficulties for SMEs, which ultimately are the main source of new job creation in a dynamic, balanced modern economy. There is evidence that high housing costs are creating problems for a small (but still significant) proportion of private sector businesses. A survey of businesses undertaken in 2006 indicated that 12% of businesses experienced labour shortages and recruitment difficulties due to high housing costs in South East England. The main difficulty is recruiting workers at the lower end of the pay scale. Moreover, a survey of SMEs in South East England shows about 10% were considering the possibility of re-location from the South East due to high housing costs.

2.62 Moreover, the quality and range of housing available in an area is increasingly an important consideration in attracting skilled labour. As the knowledge economy grows there will be increasing competition for skills, and business location decisions will take more account of whether an area has the right environment (including housing) to attract skilled workers. And, while high quality housing alone may not be enough to attract significant new business investment, a lack of high quality of housing may preclude it.

2.63 Our conclusion regarding Issue 4.2, therefore, is that while broadly there is a sound basis for an emphasis on knowledge economy compared to logistics, the Council cannot be complacent that knowledge economy businesses will continue to be attracted to locate in Milton Keynes and to grow there.

2.64 There is a danger that policies that serve to provide for an undersupply of housing will introduce an unforeseen constraint on the ability of businesses – especially new start and micro-businesses – to grow to their full potential. This danger could materialise if the effect of reduced housing supply serves to increase the difficulties and the costs of recruiting and retaining appropriately skilled labour.

**Implications for Commuting**

2.65 Another important consideration is the potential implication of the imposition of the 1.5 ratio on future commuting patterns into Milton Keynes from neighbouring local authority areas. It is acknowledged in the Council’s Employment Technical Paper that Milton Keynes is already heavily reliant on in-commuting. Between 2001 and 2008 net in-commuting is estimated to have increased from 16,000 to 35,000. Moreover, over the same period the numbers of out-commuters decreased, from 22,000 to 18,000.

2.66 On the basis of an assumed average workers to dwellings ratio of around 1.18:1.0, the provision of 28,000 dwellings over the 2010-2026 period can be expected to increase the number of resident workers, by around 33,000\(^7\).

---

\(^7\) A worker to dwellings ratio of 1.18:1.00 was identified by RTP in their 2006 report to ODPM and GOSE *An Examination of the Evidence Base for the SEP*
2.67 On the basis of the Council’s proposed dwellings to jobs ratio of 1.5:1.00, the number of new jobs expected in Milton Keynes over the 2010-2026 period is estimated by the Council to be 42,000.

2.68 Under a ‘best case’ scenario where all the new Milton Keynes worker-residents are employed in local Milton Keynes jobs, the result of the 1.5:1.0 policy will be to increase daily net commuting by 9,000. However, it is unrealistic to assume that all new worker-residents will take local jobs: some are likely to be out-commuters who will travel to other places – such as London – for their jobs.

2.69 It is more realistic, in our view, to assume that only 60-65% of the new jobs will be filled by new worker-residents: on this basis, the number of additional commuting trips can be expected to be more like an additional 15,000-16,000 per day, rather than the 9,000 which is the minimum implies by the Council’s policy.

2.70 These figures are, of course, based on the Council’s own proposed target of 42,000 additional jobs. In our view this is likely to be an underestimate. If the 48,000 new jobs that SQW estimate could be created in Milton Keynes over the 2010-2016 period indeed come about, then the additional in-commuting over current levels could be more like 20,000 per day by 2026.

**Issue 4.3 – quantity and range of sites**

2.71 Issue 4.3 asks

*Will the existing and proposed employment locations provide the quantity and range of sites that are required to meet the identified needs*

2.72 The key consideration in this respect is creating a sufficient number of attractive locations for business to meet the various needs. Primary research reported by the Audit Commission\(^8\) on the factors that influence business location decisions indicate the following ranking of factors

- availability of an appropriately skilled workforce (70% of businesses interviewed saying it was important or very important)
- site availability (70%)
- cost of labour (61%)
- financial incentives (40%)
- proximity to customers (36%)
- transport connections (32%)
- environment (32%)
- availability of utilities (20%)
- image (20%)

---

\(^8\) Audit Commission *A Life’s Work* 1999
2.73 It is important, therefore, that Milton Keynes provide sufficient sites that are accessible to a potential workforce and possess the right physical attributes and appropriate image to suit the needs of the various businesses (and sectors) that the Council is keen to attract.

2.74 Evidence also suggests that businesses prefer a ‘business address’ to a mixed use location where there is the potential for negative interactions with residential communities and/or municipal facilities.

**Issue 4.6 – status of Central Milton Keynes**

2.75 For many businesses, particularly those participating in the knowledge economy, central Milton Keynes will offer the best combination of business location attributes. It will be important, however, that alternative high suburban business environments are also provided so that potentially relocating businesses have a choice. This may be just as relevant to SMEs in the services/knowledge sector as much as businesses that generate movements of goods vehicles – for example, companies that are involved in providing on-site support and maintenance for IT equipment may need adequate parking and access to motorway networks that is better provided for on a business park rather than an urban centre office location.
3: Matter 3: Overall Housing Provision

The Council’s Proposals

3.1 The Milton Keynes Core Strategy proposes an overall housing target of 28,000 net new homes over the 2010-2026 period. This equates to an average annual completion rate of 1,750 homes per annum. This proposed rate is slightly in excess of the average annual completion rate (1,610 p.a.) achieved over the past 10 years.\(^9\) However, as was pointed out in the ‘Implications for in-commuting’ sub-section of the previous chapter, the failure to provide enough housing in Milton Keynes (to keep pace with employment growth there) has led to very large increases in net in-commuting into Milton Keynes from neighbouring areas over the past decade.

3.2 The proposed housing target for 2010-2026 is a substantial reduction in the target for Milton Keynes established by the Regional Spatial Strategy (RSS). The RSS target was for 41,360 dwellings to be achieved over the 2006-2026 period, equating to 2,068 dwellings per annum. However, according to the Council, because of the slow rate of completions over the 2006-2010 period, by 2010 the annual rate of completions needed to achieve the RSS aggregate target had already increased to 2,134 p.a. as at April 2010 in order to effect catch-up.\(^10\)

Evidence of the CLG’s Household Projections

3.3 The proposed housing target is slightly in excess of the expected increase in the number of households formed in Milton Keynes according to CLG’s Household Projections (2008-based). According to these, the number of households in MK is expected to increase from 96,000 in 2008 to 125,000 by 2026. This represents an increase of 29,000 households in 18 years, equivalent to an average increase of 1,611 p.a. over 18 years.

3.4 However, in our view the projected household formation rate as per the CLG 2008-based projections (1,611 p.a.) has been heavily influenced by the average rate of completions over the past 10 years (1,610 p.a.). This is underlined by a discussion contained in a technical paper released by ONS in March 2012, which said the following:

> Milton Keynes is an area where the population has been increasing fairly consistently year on year, faster than population growth nationally. This is in part due to local policy on housing development that has continued the growth in this area over a long period of time. Over the 10 years up to mid-2010 the population of Milton Keynes is estimated to have grown by 13.9%, an average of 1.3% a year. This is comparable with the projected growth over the next ten years of 14.9%.\(^11\)

3.5 Moreover, it is important to note that the latest (2010-based) set of population projections foresee an acceleration of population increase in Milton Keynes compared to the previous set of population projections (2008-based). The previous (2008-based projections) expected the

---

\(^9\) Milton Keynes Council Core Strategy Revised Proposed Submission Version p 23

\(^10\) Milton Keynes Council Core Strategy: Housing Technical Paper, February 2011, page 8, para 1.17

Milton Keynes population to increase from about 239,000 in 2010 to 288,800 in 2026. The latest set of projections anticipate an increase in Milton Keynes population to 292,300 by 2026. That is, the expected increase in Milton Keynes population compared to the previous projections is an extra 3,500 persons by 2026.

3.6 These latest population projection figures have not yet been converted by ONS/CLG into 2010-based Household Projections: these household projections are expected to be produced by the Autumn of 2012. To estimate what these might be, we have applied an average persons-per-dwelling ratio of 2.17 to the increase in expected population. This results in an increase of 1,612 dwellings to the total needed by Milton Keynes over the next 16 years. This would represent an average annual increase estimated at 100 dwellings per year; that is, an average of around 1,710 p.a. over the 2010-2026 period. Obviously, we cannot guarantee that the revised CLG household projections will be the same as this, but at this stage it provides a plausible working assumption.

3.7 It is also worth remembering that the RSS target for housing provision in Milton Keynes was always significantly in excess of the various revisions to household projections produced during the period the SEP was being drafted. One reason for this was that the SEP target figures included an adjustment to allow for addressing the backlog of unmet housing need. Another reason is that the target-setting included adjustments made for the fact that some local authorities – such as Milton Keynes – are located in over-lapping functional sub-regions (i.e. labour market catchment areas), and are therefore subject to higher levels of housing growth pressure.

The Evidence of the SHMA

3.8 The latest version of the Milton Keynes Strategic Housing Market assessment is the Update 2009 which was produced in October 2009 by consultants ORS on behalf of Milton Keynes Council.

3.9 The SHMA developed a model of the local housing market in order to assess how many additional dwellings were likely to be needed over the up-coming 5-year period. This modelling exercise concluded that a total of 16,832 dwellings would be needed “in order to sustain the existing supply/demand imbalance”. Of this figure, 12,220 was identified as being market housing, 2,092 intermediate housing and 2,519 social rented housing.

3.10 The October 2009 update of the SHMA was a revision of the March 2009 report prepared by the same consultants. The results of the March 2009 assessment were that 16,401 dwellings would be needed over the next 5 years. The October update therefore represents an increase of 431 dwellings required, which is an increase of 2.6% over the earlier figure. This trend suggests that housing pressure was increasing in Milton Keynes over the period between the two updates.

3.11 In terms of the October 2009 update, an annual average of 3,366 p.a. over five years were estimated as being needed merely to sustain the (then) current level of market imbalance, of which 2,444 p.a. is market housing. Our interpretation of the phrase ‘current level of market imbalance’ is that ORS: Milton Keynes SHMA 2008 – Update 2009, p93
imbalance’ is that this figure of 3,366 p.a. would not in itself address all of the then-identified existing backlog of unmet housing need, but would merely maintain the existing balance of pressure in the local housing market.

3.12 It is also important to note that in arriving at the figure of 16,832 dwellings needed, the October 2009 SHMA update assumes that only 50% of the (then) current unmet need is addressed within 5 years (the March 2009 report also made this assumption).

3.13 Clearly, the figure of 3,366 p.a. is considerably in excess of the figure of 1,750 p.a. which is now proposed by the Council. There are several reasons offered by the Council in its Core Strategy Technical Paper (February 2011) as to why the figures estimated by the SHMA for the Council should be disregarded. It is useful to consider these reasons in turn, which we do so in what follows below.

3.14 One reason offered by the Council is that the SHMA only considered a 5-year forward period, and that the pressures therein identified may not be the same as those that will prevail over the 15-year period of the Plan. The Council doesn’t explain, however, why it did not ask ORS to repeat its analysis for the entirety of the Plan period (as many SHMAs in other places do).

3.15 Moreover, the Council concedes in the Technical Paper (in paragraph 2.5) that the pressures identified and modelled by ORS on its behalf “may be as likely to increase as they are to decrease” after the five-year period. Indeed, the fact that the SHMA modelling only assumes that 50% of (then) current unmet need is met during the five-year period in our view reinforces this point, as does the fact that the SHMA October 2009 update estimated an increase of housing need 2.6% greater than the previous edition of the SMHA (March 2009).

3.16 The Council does therefore appear to concede that the figures produced by a 15-year analysis could just as likely result in an increased annual requirement compared to the figures produced by the 5-year analysis. This is especially the case when one considers that the 5-year analysis did not attempt to address all of the backlog of demand. Furthermore, there is no critique offered that suggests the Council thinks that the 5-year SHMA estimates are in themselves unsound.

3.17 Another suggestion that is made by the Council in its Technical Paper is that the SHMA figures include an allowance made for population movement into Milton Keynes as well as the needs of the already established population there. The Council also suggests that the SHMA figure is exaggerated because in its view “the economic downturn is likely to lead to less migration into Milton Keynes”.

3.18 As stated earlier, however, CLG/ONS has now published updated, 2010-based sub-national population projections for England, including Milton Keynes. Moreover, these population projections include an improved methodology for estimating long-term migration to local authorities in England and Wales.

3.19 Moreover, the most recent sub-national population estimates for Milton Keynes suggest that the population there will grow more quickly than was previously projected using the 2008-

---

13 Milton Keynes Council: Core Strategy Housing Technical Paper February 2011 p10
14 See the discussion contained in the ONS Statistical Bulletin 2010-based subnational population projections for England, 21 March 2012, pages 10-11
based data. The relevant data is set out in a chart below, which replicates one published by ONS in a 21 March 2012 Statistical Bulletin:\(^{15}\):

![Milton Keynes: Mid year population estimates: 2001-2020](chart.png)

3.20 Moreover, each of the past three updates of population projections (2006, 2008, 2010) have shown an expected accelerating increase in future population for Milton Keynes.

3.21 The increase in projected population for Milton Keynes over the 2010-2026 period (totalling an additional 3,500 persons over and above the 2008-based projections) is despite the presence of the economic downturn which might have been expected to reduce population pressure. This reflects the fact that one of the key consequences of the recent economic slowdown has been to slow down the rate of emigration from the UK, more so than it has caused a decrease in the rate of population movement to the UK (for example, from elsewhere in the EU). And although it is the objective of the Coalition Government to reduce levels of non-EU migration, the Government has no powers to control migration from elsewhere in the EU.

3.22 There are several other reasons offered by the Council as to why its SHMA evidence should be accorded little weight. For example, the Council seems to suggest that because the SHMA figure is household based rather than dwelling based, it might be that household requirements will be lessened if households take decisions to buy or rent in groups. There is no attempt by the Council however to quantify the potential impact of this somewhat unlikely sounding scenario.

3.23 On balance, therefore, we consider that the Council has offered very little new evidence in its Technical Paper that would allow the conclusion to be drawn that the modelling work done by ORS on its behalf for the SHMA is incorrect, inappropriate or out-dated. On that basis, we consider that the evidence of the SHMA should stand.

3.24 It is also worth re-iterating that the modelling work undertaken for the SHMA in the 2009 update only assumed that 50% of the backlog of unmet need would be met during the

following five-year period. On that basis, the figures arrived at in the SHMA is an underestimate of five-year demand rather than an over-estimate.

3.25 Moreover, the Council itself in its Housing Technical Paper concedes that housing demand pressures after the five-year period considered by the SHMA “may be as likely to increase as they are to decrease”.

Conclusions on Matter 3 issues

3.26 Our conclusion is that the Council’s overall housing provision target figure (1,750 p.a.) is not soundly based, and that it represents a substantial under-estimate of the likely actual extent of demand over the Core Strategy period.

3.27 Nor do we consider the Council’s proposed housing provision target to be consistent with the principles of the National Planning Policy Framework (NPPF) published in March 2012. In particular, we do not consider that the Council’s housing target meets the “full, objectively assessed needs for market and affordable housing” as required by paragraph 47 of the NPPF.

3.28 We consider that housing need driven by likely future employment growth alone is likely to amount to a requirement for at least 1,992 dwellings per year (assuming a ratio of 1.5 jobs per dwelling) and that this figure will be around 2,988 dwellings per year if neighbouring authorities cannot be relied upon to help share the Milton Keynes burden of employment driven demand (that is, if a ratio of 1 job per dwelling is used instead).

3.29 Moreover, the figure for future required housing provision also needs to take into account social need, driven by purely demographic factors (marriage, divorce, fertility, deaths, etc.). The estimation of the SHMA is the most recent attempt to take into account all factors, and this produced an estimate of 3,366 p.a. for the five year period. However, this figure did not address all existing backlog of demand, so might be an under-estimate.

3.30 The SHMA is not in our view inconsistent with the figures that have been produced as a result of the SQW economic scenario. This is because the SQW figures consider employment growth driven demand only, whereas the SHMA has attempted to assess both employment-driven growth (in the form of estimated levels of future in-migration to Milton Keynes, which is primarily driven by employment) as well as the social and demography driven housing needs of the existing population. On that basis, we would expect the SQW estimate to be less than the SHMA estimate, and that is the case.

3.31 Thus, we conclude that the Council’s proposed target is a substantial under-estimate and is unsoundly based.

3.32 Moreover, our view is that housing demand pressures are much more likely to increase than decrease, for the following reasons:

- Economic growth drivers
- Neighbouring areas no longer willing to provide housing for in-commuters
- Unmet social need
Each of these points is expanded upon below.

**Economic growth drivers**

3.34 The Council acknowledges in its Core Strategy that Milton Keynes is very well positioned to take advantage of future growth opportunities. We agree entirely, so there is therefore a consensus that Milton Keynes will continue to grow its employment base substantially over the 2010-2026 period.

3.35 In the previous chapter of this report, in forming a response to Matter 4 issues, SQW developed a future growth scenario that quantifies future growth prospects in terms of jobs. The conclusion of this modelling was that an additional 47,800 jobs can be expected to occur in Milton Keynes over the 2010-2026 period.

3.36 Although this number is less than the most optimistic scenario developed by GVA Grimley in their 2007 ELS, it still implies 2,988 jobs p.a. and (based on the 1.5 jobs per home ratio favoured by the Council) and 1,922 homes per annum. Moreover, because of the strong inherent economic advantages possessed by Milton Keynes, we are confident that Milton Keynes will continue to outperform the average annual growth rate for employment compared to regional averages.

3.37 The implication of this conclusion, however, is that the proposed provision of 1,750 dwellings per year as is suggested by the Core Strategy will not be adequate to meet the future housing needs of Milton Keynes. The further implication is that without adequate provision for housing, the pattern of commuting will become even more weighted towards a larger net inflow of daily in-commuting from neighbouring districts, which would be counter to Government policies regarding sustainability.

**Constraint on future in-commuting**

3.38 The inherent assumption contained within the 1.5 jobs per homes ratio favoured by the Council is that although Milton Keynes will continue to grow its employment base strongly, it will need to rely on neighbouring areas to provide a shortfall in the number of homes needed to house the additional workers, their dependents and others. That is, the 1.5:1.0 ratio has an in-built assumption that neighbouring authorities will help to cater for the needs of Milton Keynes.

3.39 Evidence is accumulating, however, that Milton Keynes Council cannot make this assumption safely. This is because the emerging Core Strategies from each of the neighbouring areas propose significant reductions in their own future homes provision targets, compared to those that were set by the South East Plan. For example, Aylesbury Vale is proposing to cut its housing target to 816 p.a. compared to the target figure of 1,075 p.a. contained in the SEP, which amounts to an approximately 25% reduction.

3.40 Similar patterns are emerging in other areas adjacent to Milton Keynes. In short, each authority is now looking to meet what it individually regards as its “own need”, and is not looking to share the burden of neighbouring authorities. On that basis, Milton Keynes will in future have to look to its own resources to cater for the economic and social needs for housing.
the population that will grow as a result of all of the reasons identified in both the economic analysis we have conducted and the social needs assessment undertaken for the Council in the most recent SHMA.

3.41 If Milton Keynes is unwilling to meet all of its own needs, and the neighbouring authorities are increasingly unwilling to share the burden, then the danger is that:

- the Milton Keynes labour market will become increasingly skill-constrained and, long term, local employees may need to relocate in order to find adequate numbers of workers
- commuting patterns will become even more stretched, resulting in even greater traffic congestion and a threat to sustainability
- housing in Milton Keynes will become increasingly unaffordable, especially for those in lower paid jobs or not in work

**Unmet Social Needs**

3.42 Another key issue is that the process of demographic change is likely to increase rather than decrease housing demand pressures. The October 2009 SHMA update estimated an increase in five-year demand, by 2.6%. However, even this estimate did not attempt to meet (then) current existing demand within the five-year period.

3.43 Recent population projections published by ONS in March 2012 also point to an expectation of an increasing (rather than decreasing) rate of population increase in Milton Keynes.

3.44 Other factors are also likely to come into play which may not yet be fully reflected in existing or recent estimations of future housing need. These include Government policy drivers, which (for budgetary reasons, amongst others) seek to encourage older people to stay in their own homes longer, to help contain upward pressure on the demand for (and cost of) social care. The UK population is ageing rapidly (there are now more people of pension age than are aged under-16 for the first time in history), so this policy shift may substantially decrease the rate at which existing homes are vacated and become available for other households to occupy. This would have a direct impact on the calculations of future need contained in the SHMA, which makes an explicit assumption about the rate at which homes become available through household dissolution and death.
Annex A: Extract from Roger Tym and Partners Report

A.1 An extract from Roger Tym & Partners Report Augmenting the Evidence Base for the Examination in Public of the South East Plan, published for ODPM and GO-SE, 2006 follows on the next page.
the additional population to meet economic growth would replicate the overall profile or would it differ markedly).

2.17 Households at 2026 are calculated from the derived population figure, again maintaining the population/household ratio from the original EBS projections.

2.18 Finally dwellings are derived from the new household data, holding the households/dwellings ratio at the EBS 2026 ratio. This produces an annual average requirement of 46,000 dwellings per annum (if allowance made for double jobbing this falls to 45,000 dwellings per annum. If we repeat the process using the EBS short term migration variant then the dwellings requirement comes out at 48,000 per annum.

2.19 If we examine the ratios employed in these calculations it becomes clear that the biggest single factor driving the demand for additional housing is the fall in the Population/Household ratio as shown below.

Table 2.1 Population / Household Ratios

<table>
<thead>
<tr>
<th></th>
<th>Long Term Migration</th>
<th>Short Term Migration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2026</td>
</tr>
<tr>
<td>Households to Dwellings</td>
<td>0.97</td>
<td>0.97</td>
</tr>
<tr>
<td>Persons to Household</td>
<td>2.40</td>
<td>2.24</td>
</tr>
<tr>
<td>Workers to Population</td>
<td>0.51</td>
<td>0.50</td>
</tr>
<tr>
<td>Jobs to workers</td>
<td>1.01</td>
<td>1.08</td>
</tr>
<tr>
<td>Jobs to dwellings</td>
<td>1.20</td>
<td>1.17</td>
</tr>
</tbody>
</table>

2.20 We therefore have three alternative dwelling forecasts for testing (two demographically based and one economic based):

- 33,000 (demographically based) - 4,100 dwellings per annum above the SEP dwelling figure
- 37,000 (demographically based) - 8,100 dwellings per annum above the SEP dwelling figure
- 46,000 (economic based) - 17,100 dwellings per annum above the SEP dwelling figure.
Annex B: Extract from ONS Statistical Bulletin

B.1 An extract from ONS Statistical Bulletin: 2010-based subnational population projections for England” 21st March 2012 follows on the next page.
### Table 4: Local authorities with the lowest projected percentage population growth between 2010 and 2020

<table>
<thead>
<tr>
<th>Population (thousands)</th>
<th>Projected change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mid-2010</td>
<td>mid-2020</td>
</tr>
<tr>
<td>Oxford</td>
<td>143</td>
<td>135</td>
</tr>
<tr>
<td>Cambridge</td>
<td>106</td>
<td>102</td>
</tr>
<tr>
<td>North Dorset</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Redcar and Cleveland</td>
<td>137</td>
<td>136</td>
</tr>
<tr>
<td>Weymouth and Portland</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>163</td>
<td>164</td>
</tr>
<tr>
<td>Exeter</td>
<td>118</td>
<td>119</td>
</tr>
<tr>
<td>Scarborough</td>
<td>108</td>
<td>109</td>
</tr>
<tr>
<td>North East Lincolnshire</td>
<td>157</td>
<td>159</td>
</tr>
<tr>
<td>Burnley</td>
<td>86</td>
<td>87</td>
</tr>
</tbody>
</table>

How a population is projected to change locally depends on a number of factors that can interact and produce very different growth rates. The size and age structure of the population at mid-2010 is a big indicator of the future population. Fertility and mortality have greater impact at certain age groups within the population and therefore affect areas differently depending on their age structures. Some areas also have more people moving in and out of them and will therefore be more affected by migration trends than others.

In this bulletin we examine a few areas to illustrate how some of these trends and features about the local population drive the resulting projections and what should be considered when using local area projections.

### Understanding the effects of past trends

Milton Keynes is an area where the population has been increasing fairly consistently year on year, faster than population growth nationally. This is in part due to local policy on housing development that has continued the growth in this area over a long period of time. Over the 10 years up to mid-2010 the population of Milton Keynes is estimated to have grown by 13.9 per cent, an average of 1.3 per cent a year. This is comparable with the projected growth over the next 10 years of 14.9
per cent. The results of the 2010-based subnational projections are very similar to both the 2008-based and the 2006-based projection, with less than 2 per cent difference between all three sets of projections for mid-2020 (Figure 1). In terms of subnational projections it is very unusual for three sets of subnational projections to be so similar; trends are often more volatile which can lead to larger differences between successive projections.

**Figure 1: Estimated and projected total population for Milton Keynes, mid-2001 to mid-2020**

If the present/future local planning policy is similar to the policies in place in the last 10 years for this local authority, then these projections are likely to give a good indication of the future population in the short term.

**Understanding the impact of age structure**

It is important when looking at projections to understand the changes in the age and sex structure of an area. Wigan is an interesting example to consider since its age and sex structure is very similar to that of England as a whole at 2010 and it is projected to have a similar age and sex structure by 2020. This means that the proportion of its population at each age in 2010 and in 2020 is almost the same as England (Figure 2), although it is projected to grow by 6.9 per cent, a slightly slower rate than England, over the next 10 years.

The easiest way to illustrate the age and sex structure of an area is in a population pyramid.
Figure 2 shows the population structure for Wigan and for England. It can be seen that there is a bulge in the population of people aged 70 to 74 in 2020 reflecting the higher number of people born immediately after the 2nd World War. These people would have been aged under 65 in 2010 and so will reach State Pension Age within the next 10 years.

Some local planning needs are directly relevant to specific age groups and therefore it is important to understand the possible changes to the age structure of an area when planning for the future. Interactive population pyramids are available for viewing the results of the 2010-based population projections for local authorities, regions, England, England & Wales and the UK. They can be used to illustrate how the size and age and sex structure of the population in an area is projected to change over time, as well as enabling comparison with other areas.

**Figure 2: Projected age structure of the population of England and Wigan: mid-2020**

![Population structure chart](image)

**Understanding older age structures**

Estimates indicate that in 2010 there were 10 local authorities where more than a quarter of people were aged 65 and over. This is projected to increase to 63 local authorities with this proportion by 2020. Quantifying these trends is important in order to inform organisations who are interested in the
population in this age group. For example, projections can be used to inform organisations involved in planning for health and social care provision, reviewing transport needs and business planning.

North Norfolk is an area where there a high proportion of the population is aged 65 or over. The total population of North Norfolk is projected to grow by 6.5 per cent over the 10 years to 2020. This compares with a projected growth in the population aged 65 and over of 26.1 per cent over the same period. This results in the projected proportion of people in this age group increasing from 28.7 to 33.9 per cent by 2020. The population aged 16 to 64 is projected to fall by 1,500 (2.6 per cent) over the same period. The main reason for these changes is that those people aged between 60 and 64 in 2010 will be aged over 70 by 2020 (Figure 3).

**Figure 3: Estimated and projected age structure of the population of North Norfolk: mid-2010 and mid-2020**

In North Norfolk, it is migration rather than natural change which is the current main driver of population change, unlike at the national level. Over the next 10 years there is projected to be net growth of around 500 people per year to North Norfolk. The population is projected to grow by around 1,000 people per year due to net migration, but, due to this area’s older age structure, it is projected that there will be about 500 more deaths than births, leading to natural change having a negative effect on population growth. This is a feature that may be present in other areas that have a population structure like North Norfolk.
Understanding younger age structures

There are also some local authorities that have relatively young age structures, with a higher proportion of children and adults of child bearing age. Due to higher fertility rates assumed in the short-term for the national projections, local area fertility rates are also correspondingly higher at a subnational level than in the previous 2008-based projections. Therefore many areas may see more births projected than in the 2008-based projections, but in particular, if an area has a young age structure then these higher assumed fertility rates will affect the number of projected births. Therefore the projections provide a useful indication of future requirements when planning for maternity and other health services and future school places.

Barking and Dagenham is an area that has a young age structure. Estimates show that in 2010 nearly nine out of 10 people resident in Barking and Dagenham were aged under 65, with nearly a quarter of the population aged under 16 years. This local authority is projected to be one of the fastest growing areas in England according to the 2010-based subnational projections. If current trends were to continue over the 10 years to 2020, the population would grow by over 20 per cent. This projected growth is mainly due to natural change, with more than three quarters of the increase in the population being due to more births than deaths.

Methodology

Methodology

The subnational population projections take the indicative 2010 mid-year population estimates which were published on 17 November 2011 as their starting point. The projected local authority population for each year is calculated by ageing on the population for the previous year, applying assumed local fertility and mortality rates to calculate the number of projected births and deaths, and then adjusting for migration into and out of each local authority. Local authority assumed levels of fertility, mortality and migration are derived from observed values during the previous five years and are constrained to the assumptions made in the 2010-based national projections. Finally, the subnational population projections are constrained to the national population projections for England. A full description of the methodology used to produce the subnational population projections is available.

Migration Statistics Improvement Programme

It has long been recognised that international migration is one of the most difficult components of population change to measure accurately, particularly at local authority level. There is no single, comprehensive source of international migration data at national and/or local levels.

The Migration Statistics improvement Programme (MSIP) ran from April 2008 to March 2012, with a vision to produce improved population and migration statistics that are relevant for user needs, are as accurate as possible, and are recognised as being definitive estimates.

On 17 November 2011, ONS published details of an improved methodology for estimating long-term immigration to local authorities in England and Wales. The methodology does not change the total immigration estimates for England and Wales, but aims to give better estimates of the distribution
of migrants at local authority level. ONS also published a set of indicative mid-year long-term immigration estimates for 2006-2010 as well as indicative population estimates incorporating the improved methods. The 2010-based population projections incorporate these improvements to the estimates of immigration and population at local authority level. Users were invited to comment on the new methodology and the implications of this change on immigration and population estimates, and on the 2010-based subnational population projections. A response to user feedback was published on 10 February 2012.

Census and subnational projections

The estimates of the population on which the projections are based are produced using the cohort component method. This means they themselves are based on data from the 2001 Census.

Each year it is possible that errors around measuring components of population change impact on the accuracy of the mid-year estimates. This is potentially compounded each successive year and therefore the ten-yearly population census provides a benchmark for rebasing the estimates. Since these subnational projections are based on mid-2010 population estimates which are as far from a census base as possible, any accuracy issues with the estimates affects the accuracy of the projections.

Following the publication of 2011 Census data, the mid-year estimates for 2011 will be produced and the previously published mid-year estimates for 2002 to 2010 will be rebased. This will then provide a consistent series of population estimates over time, avoiding a step change in the estimates when they are rebased on new census counts. This will be followed by a new set of projections which will incorporate 2011 Census data.

2011 Census data are due to be published later this year. More information is available about the 2011 Census data releases.

Data and further information

Further information on 2010-based subnational population projections for England is available at:


Information on the indicative population estimates on which these projections are based released on 17 November 2011 is available at: www.ons.gov.uk/ons/guide-method/method-quality/imps/improvements-to-local-authority-immigration-estimates/index.html

Subnational population projections for the other constituent countries of the UK are produced by the devolved administrations:

2010-based subnational projections for Scotland:


The latest projections for Wales and Northern Ireland are 2008-based