



PLAN:MK EXAMINATION

STAGE ONE

HEARING STATEMENT ON BEHALF OF THE SOCIETY OF MERCHANT VENTURERS

MATTER 3 MEETING HOUSING NEEDS

1. Introduction

1.1 The Society of Merchant Venturers (SMV) have been engaged with the Plan:MK process since its inception, making submissions to various stages during the preparation of the Plan and commenting on evidence base studies. SMV together with Gallagher Estates control land to the north of Milton Keynes which is capable of delivering strategic levels of growth, during the plan period and beyond to help meet the MK Futures 2050 Commission report and the National Infrastructure Commission's (NIC's) proposed Cambridge-Milton Keynes-Oxford Arc growth strategy.

1.2 This statement seeks to provide responses following the questions on Matter 3: The overall need and requirement for housing; and The strategy and land supply to meet the requirement (principally Policy DS2 and Table 4.3), as set out in the Inspector's Matters, Issues and Questions, dated May 2018.

2. Issue 1 – Context and potential transformational growth

Q3.1 What is the status of the MKFutures 2050 and NIC reports? Did they provide a realistic or firm foundation for considering options for alternative, higher housing numbers at the time of preparing and submitting Plan:MK?

2.1 SMV believes that the MKFutures 2050 and NIC reports provide a firm foundation for considering higher housing numbers with the former published prior to the preparation of the submission Plan:MK. Insofar as the NIC report is concerned, The interim findings came out in November 2016 and the final report was published in November 2017 and therefore was available prior to submission.

Q3.2 Should the proposed housing numbers in the reports be regarded as: (1) evidence of an objectively assessed housing need; or (2) a policy objective for growth that informs a higher housing requirement; or (3) neither at this stage on grounds of prematurity?

2.2 SMV further believes that the proposed housing numbers should be considered as a policy objective for growth that informs a higher housing requirement in that they are being used as the basis of grant funding for infrastructure.

Issue 2 – Determining the full OAN

Q3.3 Having regard to NPPF paragraph 159 (first bullet point), for MK is the functional Housing Market Assessment wider than the administrative boundary? If so, is the evidence and approach to the HMA justified in determining the housing numbers for Plan:MK, including the approach of adjoining authorities who may be partially within the ambit of a wider MK housing market? Is it clear there is no unmet need from adjoining authorities?

2.3 It is SMV's position that being the most sustainable location within the HMA as defined in the SHMA Plan:MK should meet its own OAN rather than rely on other LPA areas, until such time as the capacity of MKC area has been fully assessed.

Q3.4 Has the housing requirement figure of at least 26,500 dwellings (2016-2031) (equivalent to 1766dpa) as set out in Policy DS2 been informed by a robust, credible assessment of the full objectively assessed need (OAN) for housing and is it positively prepared and consistent with national planning policy? In particular:

i) Is the February 2017 Strategic Housing Market Assessment (SHMA) an appropriate starting point for setting the requirement in terms of its demographic assumptions (including future trends in household formation and migration), the account taken of market signals and affordability, forecast growth in employment including assumptions on economic activity rates and commuting and any other local circumstances?

ii) Are the various uplifts from the demographic starting point from the 2014 CLG Household projections of 1,513dpa to 1,766dpa soundly based?

iii) Is the SHMA's estimate of 8,200 affordable dwellings in the Borough robust?

2.4 Whilst SMV has not undertaken its own OAN, it is clear from the work of Bidwells, DLP, Lichfields and Barton Wilmore that there is a strong evidence based case to increase the housing requirement during the period to 2031 up to 2,500 per year.

Q3.5 Has the SHMA given sufficient attention (sensitivity testing) to the potential suppression of household formation rates, particularly in the 25-34 and 35-44 year old cohorts, having regard to the advice at PPG paragraphs 2a-015 and 2a-017?

2.5 SMV has no response to this issue.

Q3.6 Taking into account the SHMA's approach to other adjustments, is a 10% uplift for market signals a reasonable adjustment in light of the evidence on house prices and affordability in the context of the wider HMA?

2.6 Whilst SMV has no evidence on this matter they note that one commentator believes that there is justification for a 20% uplift for market signals.

Q3.7 Is the 2016 EEFM a robust starting point to understand past economic trends and assess the likely change in job numbers and working age population? With regard to PPG paragraph 2a-018 should the SHMA give consideration to other models and/or past employment trends?

2.7 SMV believes that the 2016 EEFM is a robust starting point. Insofar as past employment trends is concerned, there is a record of underestimating job growth in the MKC area.

Q3.8 How does the EEFM model deal with the following:

(i) Commuting ratios;

(ii) Economic activity rates, unemployment, double-jobbing and any assumptions on increased economic activity in those aged 65+;

In applying the "current (commuting) ratio" taken from the 2016EEFM what commuting figure was used in the SHMA?

2.8 SMV has no response to this issue.

Q3.9 The SHMA identifies a positive uplift of 1739 dwellings to balance jobs and workers, contributing towards the submitted OAN of 1766 dpa. What should be made of alternative submissions that the EEFM provides an output for MK of 32,331 dwellings (2,155dpa) for the plan period? Please explain how the SHMA arrives a different figure from the EEFM and what assumptions have been applied. If those assumptions vary from the EEFM, how should I interpret the EEFM advice (April 2017)¹ that it is an integrated model that should not be subjected to "alternative estimates"?

2.9 SMV concurs with the EEFM and is concerned that the SHMA uses a different figure. This concern is magnified when the past record of underestimating job creation is taken into consideration.

Q3.10 Jobs growth has notably out-performed housing delivery in recent years (para 4.33 of Plan:MK) at a ratio of 3.5 jobs per dwelling. The submitted Plan states that the OAN aligns to the more cautious assessment of jobs growth in the Experian model at 1.06 jobs per dwelling and if the EEFM is realised the ratio would be 1.2 jobs per dwelling. Has the SHMA applied or sensitivity tested the Experian model and how is the ratio of 1.2 jobs per dwelling calculated?

2.10 SMV has no response to this issue.

Q3.11 Does the adjustment of 1739 (116dpa) provide sufficient flexibility to meet forecast employment needs? Is there plausibility to the submissions that the adjustment (and therefore the full OAN) is too cautious?

2.11 SMV confirms that, given the studies by others, it is apparent that the adjustment is too cautious.

Q3.12 The SHMA finds a basis for making a series of adjustments for demographic factors, market signals/affordability and future jobs which cumulatively add up to 28,615 (or 1,908dpa). What justifies an approach of calibrating that adjustment to only the 1,739 for

¹ Extracts provided in OAN submissions from Bidwells and DLP

future jobs, so that the OAN is 26,493 (or 26,483)? In this regard is the SHMA consistent with PPG (para 2a-005-20140306) that assessment findings should be "transparently prepared"?

2.12 As set out above, SMV is concerned that the SHMA is inconsistent with the EEFM and subsequently with the PPG.

Q3.13 Have any reasonable alternative OAN figures been assessed as part of sustainability appraisal?

2.13 SMV notes that MKC's response to this initial question is inconclusive.

Issue 3 Translating OAN into a housing requirement/target

Q3.14 Are there any constraining factors (PPG paragraph 2a-004) that would inhibit consideration of a higher housing requirement/target than the OAN?

2.14 SMV considers that there is no evidence to suggest constraining factors as expressed in the PPG.

Q3.15 Will the housing requirement in Plan:MK significantly boost the supply of housing as sought by paragraph 47 of the NPPF? Does it reflect the objectives to keep the planned growth of MK 'on track'?

2.15 For the reasons stated above, SMV does not believe that the housing requirement in Plan:MK reflects NPPF paragraph 47.

Q3.16 What explains previous under-delivery of housing in MK? If the housing requirement were to increase in the plan period what evidence would indicate that it would be (a) sustainable and (b) deliverable?

2.16 Previous undersupply is not in itself a reason to suppress housing requirements, particularly where there are largely unconstrained sites available. As evidenced by the Inspector's Report to the Site Allocations document², MKC has many challenging redevelopment sites. SMV understands that the market is able to deliver suitable sites, quickly. This is further reason to allocate land at North Milton Keynes as a strategic reserve site.

² MK/HOU/010

Q3.17 Has SA of the housing requirement in Policy DS2 assessed reasonable alternatives? How has sustainability appraisal been used to support the scale of housing provision in the Plan? [Are there negative (unsustainable) effects of lower or higher housing provision?]

2.17 The Council's response to this question notes that 'Five alternative growth quanta are reflected across the reasonable alternatives: 27,580 homes, 28,180 homes, 29,080 homes, 29,680 homes and 30,580 homes'.³ SMV notes these are at the lower end of the spectrum of alternative OAN figures produced by others and that the scoring criteria as to the effects are unclear⁴.

Q3.18 Is the housing requirement in Policy DS2 expressed as a net or gross figure? Has the figure taken into account the effects of estate regeneration? Is there any anticipated loss of existing housing stock?

2.18 SMV notes MKC's responses to these questions and has nothing further to add.

Q3.19 Would an adjustment to the housing requirement for affordable housing provision be justified? (PPG para 2a-029-20140306) What overall percentage of affordable housing has been achieved over recent years? Based on the thresholds in Policy HN2 how many affordable housing units are likely to be delivered in the plan period on qualifying sites and from any other sources?

2.19 SMV has no comments on these questions.

Issue 4 Wider Accommodation Needs

SMV has no comments on the Inspectors questions relating to Gypsies and Travelers accommodation needs.

Q3.23 Explain how the needs of different groups in the community have been addressed in the SHMA and then the Plan, such as, but not limited to, families with children, older people, people with disabilities and people wishing to build their own homes. What conclusions does the 2017 SHMA reach in terms of the scale and mix of housing type needed, including in terms of tenure and size? (NPPF paragraph 159) How does the Plan reflect the findings?

2.20 SMV has no comments on these questions.

³ INS1a

⁴ MK/SUB/005 Table 6.6 page 35

Q3.24 Is there evidence for the Plan to make specific provision for accommodation for elderly persons either as part of the housing mix (Policy HN3) or specific allocations for sheltered and supported accommodation? (See also PPG para 12-006-20150320).

2.21 SMV notes MKC's response to the Inspector's initial question in this regard. As the OAN does not include the 1,200 bed spaces for C2 use to 2031 but expects such provision to be made on residential sites, SMV believes that an additional allowance needs to be made so that this can be accommodated on residential sites.

Q3.25 Overall, is the housing requirement in the plan justified? If not, what should it be?

2.22 For the various reasons set out above, SMV does not believe that the housing requirement in Plan:MK is justified for two main reasons:

1. There is no accounting for the longer term and significant increase in growth in the area as identified in the MKFutures 2050 and NIC reports; and
2. There is a lack of transparency in arriving at the OAN to 2031 with alternative projections suggesting notable increases up to 37,000 dwellings and a convergence of around 30,000 dwellings.

On this basis SMV believes that the OAN for the short term Plan:MK should be at least 30,000 additional dwellings to 2031.

Matter 3: Issue 5 - Housing Land Supply

Q3.26 Overall, will the submitted allocations in Plan:MK provide sufficient flexibility to help deliver the spatial strategy?

2.23 SMV believes (as set out in other submissions) that in addition to planning for a higher OAN there is a need to make provision for a further strategic reserve allocation for land at North Milton Keynes.

Q3.27 Having regard to the Housing Supply Topic Paper (MK/TOP/002) and proposed trajectory and accompanying spreadsheet of sites submitted in the schedule of proposed modifications (SUB/MK/004), is the housing implementation strategy in Policy DS2 sufficiently clear? In particular is the submitted Plan clear on:

- (i) *What comprises and justifies the housing trajectory?*
- (ii) *What is the anticipated deliverable and developable supply of housing land over the plan period, including any contingency for resilience (for example: the submitted 9.7% buffer)?*
- (iii) *How decision makers should calculate a five year deliverable supply?*
- (iv) *What contingency measures would be called upon were monitoring to identify a deficiency in the deliverable supply prior to a plan review?*

2.24 SMV notes the proposed alterations to the NPPF and PPG in this regard which will provide the necessary clarity for several of these questions.

Q3.28 Should Plan:MK include a policy to ensure that sufficient housing land is delivered if monitoring identifies that any of the strategic sites would be appreciably delayed? If so, what action would be appropriate and how and when would it be triggered?

2.25 SMV notes the proposed alterations to the NPPF and PPG in this regard which will provide the necessary clarity for these questions.

Q3.29 Is there robust evidence underpinning the calculation of the land supply for the Plan Period?

In particular:

- i) are the allowances for total existing commitments clear? To what extent, if any, does it include allocated sites from the un-adopted Site Allocations DPD? Do any allowances from SADPD allocations take into account proposed main modifications to that plan?*
- ii) Is the capacity from estate regeneration and urban intensification (for example Campbell Park) justified?*
- iii) Is the windfall allowance adequately justified?*
- iv) Has appropriate consideration been given to lapse rates for planning permissions?*
- v) Is there any dispute that a 20% buffer should be added to the deliverable supply to address persistent under-delivery?*
- vi) Having regard to the PPG (3-035-20140306), and the preference for Sedgefield, what would be the justified approach to make good the shortfall in delivery since 2016?*

2.26 SMV wishes to bring the Inspector's attention to his colleagues report on the Site Allocations DPD (MK/HOU/010) which identifies deliverability issues with regeneration and other brownfield sites. In addition MKC accepts that a 20% buffer is justified.

Q3.30 Does the evidence indicate that reasonable conclusions have been drawn about site capacities, having regard to density assumptions and any specific viability, infrastructure or other barriers to delivery? [Please note: the specifics of individual strategic sites will be considered separately under Matter 5].

2.27 SMV has no comments on this question.

Q3.31 What lead-in times and delivery rates (including number of developers/outlets per site) have been used to underpin the assumptions regarding the deliverability of strategic sites (in particular SD6, 7, 8, 9, 13, 15)? What is this based on? Where is it set-out? Are the

projected delivery rates, particularly in the next five years, on some of the established strategic sites (notably SD6, 7 and 8) reasonable given past performance?

2.28 SMV has no comments on these questions.

Q3.32 As of 1 April 2018 (or 1 April 2017 if 2018 data not available) what would the five year requirement be, for both the 'Sedgefield' and 'Liverpool' methodologies, assuming a 20% buffer for under-delivery against an annualised, flat trajectory?

2.29 SMV notes the response from MKC that more than 5 year supply can be demonstrated with either methodology, thereby removing the need for the 'Liverpool' methodology. However, this is based on the suppressed OAN.

Q3.33 Is there robust, credible evidence demonstrating the capacity of the development sector to complete and sell this quantity of housing in the Borough in the next 5 or so years?

2.30 SMV understands that historic rates of development at their peak (2007/2008) were as high as 2,300 dwellings.

Q3.34 What has inhibited the achievement of comparable annual housing delivery targets in the 2013 Core Strategy? Is Plan:MK's approach to strategic sites at risk of repeating a similar performance? If so, what measures have been considered to de-risk delivery of the Plan?

2.31 As set out above and elsewhere, SMV believes that identification of an additional strategic reserve site site at North Milton Keynes, will de-risk delivery of the Plan.

Q3.35 Is there a sufficient range of housing supply sources (and sites) in Plan:MK to bolster delivery? To achieve significant growth in a sustainable way (including critical mass to support infrastructure) are there realistic, reasonable and sustainable alternatives in a MK context other than sustainable urban extensions? How have the SHLAA and SA processes considered small and medium sized housing sites?

2.32 Please see response above.

Q3.36 Is the proposed buffer in the housing land supply (29,000 homes to meet the need for 26,500 homes equivalent to 9.7%) justified and positively prepared? Does this provide a sufficient and robust approach for potential uncertainties over capacity at South East MK? Would a 9.7% buffer in supply provide reasonable resilience?

2.33 Please see response above.

Housing Land Supply Conclusions

Q3.37 Will there be a five year supply of deliverable housing land on adoption of Plan:MK?

2.34 As set out above, SMV believes that a five year supply can only be demonstrated on the basis of the OAN remaining suppressed.

Q3.39 Is there likely to be a sufficient supply of developable housing land throughout the lifetime of the Plan?

2.35 It is SMV's belief that a sufficient supply is dependent on identifying land at North Milton Keynes as a strategic reserve site.

Q3.40 Is there appropriate consistency and totalling between the figures for various sources of supply within Chapter 4 of Plan MK (Tables 4.1 and 4.2) and between figures in Chapter 4 and Appendix A of the Plan (Table 18.2)?

2.36 SMV has no further comment on this question.

Q3.41 For those who submit the Plan would be unsound in terms of housing delivery, how should Plan:MK be changed to ensure that it is deliverable and therefore effective?

2.11 It is SMV's belief that a sufficient supply is dependent on identifying land at North Milton Keynes as a strategic reserve site.