

Plan:MK Examination

Our ref 12491/03/MS/MT
Date June 2018
On behalf of Berkeley

Matter 3: Meeting Housing Needs

1.0 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?

- 1.1 The MKFutures2050 report (MK/MIS/001), commissioned by Milton Keynes Council, sets out key projects in Milton Keynes and what a Strategy for 2050 should include (e.g. defining the scale of growth, capacity, infrastructure improvements, etc)¹. It was presented to a meeting of the Council's Cabinet on 20th July 2016 and it was resolved to support the general vision in the MKFutures 2050. The 2050 process was established by the Council to guide its longer term planning approach, in which the current Plan:MK is the first important step. It provides a firm basis for testing options that pursue higher and more ambitious levels of growth, and sets a framework for ensuring Plan:MK begins to fulfil, and does not prejudice, longer term ambitions.
- 1.2 The NIC has a distinct role independent from Government² but its findings clearly have weight as a body of expert advice to Government at the highest level. The NIC Report (MK/INF/004) was commissioned by central Government and set out recommendations for securing the Cambridge-Milton Keynes-Oxford arc's long-term economic success. The final version was published in November 2017 (MK/INF/004) but an interim report was published in 2016³. A report published alongside the interim report by SQW/Cambridge Econometrics⁴ set out some of the future scenarios of growth in the arc, including a 'transformational scenario' in which the corridor – including Milton Keynes – sees significantly greater housing and employment growth (of 1.6% per annum) than one would derive simply from looking at local estimates of need.

¹ It did not itself set employment or housing targets, but noted that "*we strongly believe that it is in the city's best interest to promote a high rate of growth through to 2050, probably somewhere between 1,750-2,000 homes per annum...if successful, it might be sensible to try to move to higher rates*" (MK/MIS/001 p.36). The report itself did not undertake its own OAN assessment or seek to quantify the scale of housing needed based on different levels of employment growth.

² The role of the Commission – established by a Charter with Government - is to provide advice and make independent recommendations to government on national infrastructure priorities. Its objectives are to: (i) support sustainable economic growth across all regions of the UK, (ii) improve competitiveness and (iii) improve quality of life. The Government is obliged to respond to NIC recommendations ideally within six months and no longer than a year, and lay its response before Parliament.

³The National Infrastructure Commission's interim report into the Cambridge – Milton Keynes – Oxford corridor
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/569867/Cambridge-Milton_Keynes-Oxford_interim_report.pdf

⁴ Cambridge, Milton Keynes, Oxford, Northampton Growth Corridor Final Report for The National Infrastructure Commission 8 November 2016

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/601163/Economic-analysis-Cambridge-Econometrics-SQW-report-for-NIC.PDF

- 1.3 The interim NIC report and accompanying SQW work was available when the SHMA was being prepared, and the SHMA should have considered their findings along with past trends (which it did not) to properly assess “*likely level of job growth*” in line with the PPG.

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?

- 1.4 The test for considering employment growth in the context of housing need as per the PPG (ID-2a-018) is the ‘likely’ change in job numbers. . If the NIC/SQW Report suggested that under the highest (‘transformational’) job growth scenario, growth in Milton Keynes were in excess of any level seen historically and was without evidence, then it could plausibly be concluded that this was an aspirational scenario which could be used to inform a higher housing requirement on a ‘policy-on’ basis. However, as shown below under our response to Q3.7 and in the Technical Note (para 2.24-2.25) Annexed to this Matter Statement, even this high growth scenario would represent a slowdown compared to past trends (which have been around 2% per annum over the long term). On this basis, the NIC/SQW findings provide further evidence (along with past trends) on what is ‘likely to occur’, hence this should be part of evidence on OAN and not regarded as a ‘policy-on’ matter.

2.0 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?

- 2.1 This is considered a matter for the Council to comment.

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?**

- 2.2 No. The reasons are set out below under the respective questions.

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

2.3 No. The reasons are set out below under the respective questions.

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

2.4 No. It is an underestimate because it includes an assumption that households will continue living in the private rented sector (PRS) supported by housing benefit. The PRS is not a form of affordable housing as defined by the NPPF and this has been confirmed by Inspector’s (see Technical Note para 2.33). The SHMA’s own assessment shows that if there were no affordable needs met in the private rented sector the annual affordable housing need would be 960 per annum (SHMA Figure 42). This justifies increasing the OAN to meet more of the identified need⁵.

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 No. The SHMA’s stated “*Adjustment for suppressed household formation rates*”⁶ is not in fact an adjustment of household formation rates, rather it is simply adding on to the OAN any concealed or homeless households currently living in Milton Keynes. It is not, despite its description, addressing future suppressed household formation rates.

2.6 As set out in the Technical Note (para 2.3) household formation amongst 25-34 year olds in Milton Keynes fell sharply between 2001 and 2011 and is projected to decline further in the future. In this period, housebuilding has similarly fallen. The Council’s view (INS1a p.21) is that this is a result of societal change, hence does not warrant adjustment. There is some partial truth in this, but it cannot be plausibly concluded that a shortage in housing supply has had no contribution to the trend⁷. Furthermore, the PPG (ID: 2a-015) specifically sets out the need to take account of past under delivery of housing and its impact on household formation (Technical Note para 2.4 and Appendix 1).

2.7 By adjusting for current concealed households the SHMA appears to accept the impact of suppressed household formation, albeit historically. It is curious that the Council accepts a need to address concealed households which currently exist because of suppressed household formation, but is doing nothing to address further declines in future formation rates. The Council’s approach ultimately does not respond appropriately to the need for sensitivity testing as set out in the PPG and the demographic-led need is therefore an underestimate.

⁵ In line with the King’s Lynn judgment *Kings Lynn and West Norfolk Borough Council v (i) Secretary of State for Communities and Local Government and (ii) Elm Park Holdings* [2015] EWHC 1958; as taken forward in the case of *Jelson Ltd v Secretary of State for Communities and Local Government* [2018] EWCA Civ 24

⁶ See SHMA Figure 2

⁷ PPG ID 2a-015 specifically gives this as an example of why adjustment may be required: “*The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing.*”

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?

- 2.8 No. No evidence has been put forward in the SHMA to demonstrate that in Milton Keynes a 10% uplift could be expected to achieve an improvement in affordability⁸. The Council’s position (INS1a p.23) is that in areas which have higher uplifts than 10%, these have been areas where affordability is worse. However, the use of comparators to justify the uplift is flawed as there are apparent inconsistencies in the examples shown, e.g.;
- Cheshire East and Stevenage have the same affordability ratios (7.4 when rounded), yet have very different uplifts of 3% and 10% respectively;
 - Cambridge is more affordable than Waverley (13.0 compared to 14.8) but has a higher uplift (30% cf. 20%); and
 - Both South Cambridgeshire and Stevenage have 10% uplifts applied, despite being very different in affordability terms (ratios of 10.1 and 7.4 respectively).
- 2.9 Limiting Milton Keynes to a 10% uplift on this basis is flawed. Whilst comparisons can be of some use, the uplifts applied in each authority should reflect local circumstances and as per the PPG, should, on reasonable assumptions, be expected to improve affordability. Evidently, applying a fixed percentage based on comparisons with other areas does not demonstrate this will be achieved in Milton Keynes.
- 2.10 In our judgment (based on the analysis set out in 2.7-2.23 of the Technical note) an increase above 10% is needed to improve affordability in Milton Keynes. For illustrative purposes, a 15-20% uplift on the SHMA’s concluded demographic-led need (of 1,650 per annum⁹) would equate to c.1,900-2,000 dpa (see Technical Note para 2.15-2.23).

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?

- 2.11 Yes, the SHMA should give consideration to other models and/or past trends. It does not present past trends for Milton Keynes, and is based solely on the EEFM forecast of 1.06% employment growth pa. The SHMA has not undertaken the exercise in PPG ID 2a-018, i.e. to make an assessment of “*likely change in job numbers based on past trends and/or economic forecasts*”.
- 2.12 Figure 3 of the Technical Note shows past trends in employment growth in Milton Keynes since 1997 over rolling 5 to 18 year periods. In no period has employment growth averaged less than 1.2% per annum, and over the longer term growth has been around 2.0% - almost double that used in the SHMA. Similarly, forecasts by SQW/Cambridge Econometrics (see Technical Note para 2.27-2.28) suggest that were the economic potential of the Cambridge-Milton Keynes-Oxford arc were realised, employment growth in Milton Keynes would be 1.6% per annum 2014-50 (a level more in line with past trends).

⁸ As required in PPG ID 2a-020

⁹ SHMA Figure 58 – demographic housing need 24,744 dwellings 2016-31, or 1,650 per annum

2.13 In the context of both past trends and the economic potential of Milton Keynes, the EEFM’s employment forecast (which, it must be remembered, is no more or less than a figure derived from a nationally-set algorithm applied to Milton Keynes figures from national datasets, and is not based on any local analysis) and therefore the SHMA’s OAN, are almost certainly a significant underestimate. As set out in PPG ID 2a-018, not making sufficient uplift for employment growth could lead to “*unsustainable commuting patterns ... and could reduce the resilience of local businesses*”.

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

i) Commuting ratios;

2.14 This is considered a matter for the Council to comment.

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?

2.15 This is considered a matter for the Council to comment.

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)₂ that it is an integrated model that should not be subjected to “alternative estimates”?

2.16 This is considered a matter for the Council to comment.

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?

2.17 This is considered a matter for the Council to comment.

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?

2.18 No – the adjustment will not provide sufficient flexibility to meet employment growth. Yes – the employment adjustment (and therefore full OAN) is too cautious for the reasons set out under Q3.7 above and in paras 2.24-2.28 of the Technical Note (i.e. the employment forecast underpinning the OAN is likely to be significantly underestimating likely future growth).

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 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”?

2.19 The SHMA’s view is that uplifts to address market signals and employment overlap, and it is not necessary to uplift for them separately¹⁰. However, the two adjustments serve separate purposes; the employment uplift is needed to attract additional workers PPG ID-2a-018 (i.e. in-migration) to support jobs in the area whereas the market signals uplift is needed to induce household formation (i.e. provide ‘more’ housing) and improve affordability.

2.20 By providing a 116 dpa uplift to balance jobs and workers (over which, given past trends in job growth, there can be significant confidence of this driver of demand), there is effectively no uplift for market signals, because this additional housing will simply cater for extra demand (ie households) for homes from employment growth, and is not providing ‘extra’ housing to increase supply to improve affordability. On this basis it would be reasonable to apply a degree of market signals uplift to the employment scenario to ensure that there is truly “extra’ housing being provided, and any uplift is not simply taken up by in-migration for employment (rather than by having the improved affordability assist existing residents i.e. inducing household formation) (see Technical Note para 2.29-2.31).

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

2.21 No. Neither the initial Sustainability Appraisal (MK/SUB/013) or subsequent 2017 Sustainability Appraisal (SA) (MK/SUB/005) tests a reasonable alternative OAN figure, rather, Chapter 4A of MK/SUB/013 tests three policy options on the quantum of housing growth in Milton Keynes (e.g. housing requirement), underpinned by the 26,500 OAN identified in the MK SHMA 2016-2031 (February 2017) (MK/HOU/005).

3.0 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?

3.1 No, there are no insurmountable hurdles, or evidence of constraining factors as set out in the PPG (ID: 2a-004), to deliver a higher housing requirement/target than the OAN.

3.2 Other sites within MKE, and across the District, were assessed within MK/SUB/005, and were considered sequentially less preferable. The District has a strong housing market, with high levels of past delivery¹¹. In terms of infrastructure, whilst there are identified infrastructure requirements within MKE, Government funding is available to assist in its delivery (e.g. HIF Bid). Further the are no overriding viability concerns within MKE, or the District.

¹⁰ This is confirmed in INS1a p. 24

¹¹ An average of 1,480 over the 2006-2016 period, a peak of 2,301 in 2007/08 (pre-recession) and a low of 1,001 in 2013/15

- 3.3 Similarly, there are no overriding environmental constraints. Indeed, in high-level terms the local authority area of 30,863ha, only has 537ha within NPPF footnote 9 designation. Combined with the existing urban area this totals 9,644ha, or just over 33% of the District. Notwithstanding the above, mechanisms, such as a ‘stepped trajectory’ or ‘Liverpool approach’, could be utilised to ensure and maintain high levels of delivery across the plan period if this were really necessary.

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’?

- 3.4 This is considered a matter for the Council to comment.

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?

- 3.5 This is considered a matter for the Council to comment.

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?]

- 3.6 MK/SUB/005 tested eight spatial strategy alternatives, consisting of variable packages of site allocations, set out in Table 6.6, with a minimum of 27,850 and maximum of 30,580 (or a land supply buffer range of 4-15%), all of which were above the OAN [notwithstanding our critique]. In line with the PPG (ID: 11-017), the Council has tested reasonable alternatives. If our position on OAN of a minimum of 2,000 dpa is accepted, even using the lowest supply buffer tested by the Council of 4%, 31,200 units of supply would be required. This is greater than any scenario tested in the SA and the Council will need MKE to deliver on this need by 2031. Furthermore, if the plan period was rolled forward to 2036, even using the Councils OAN the increased housing need would mean the Council would need MKE to deliver housing throughout that period. Utilising the transformational growth scenario in the SQW/Cambridge Econometrics report of November 2016 where job growth is 1.6% would lead to an even greater housing need by 2031 or 2036 where delivery at MKE would be required.
- 3.7 Turning to the second point, MKE - as a site variable - was included in four of the eight reasonable alternatives (Options 3, 5, 7, and 8), with different levels of growth (1,000-3,000) over the plan period. The assessment concludes that MKE is a reasonable alternative due to its potential to deliver a comprehensive new community and deliver significant social and economic benefits – particularly Option 7 which ranked highest in terms of positive outcomes for communities, education, health, homes, services and business/employment. The Council’s preferred spatial strategy, confirmed in Policy DS2, consists of a modified Option 4 – or a combination Option 4 and Option 8+ (Option 8 without restraining the quantum of homes at MKE); albeit MKE’s allocation is conditional within the plan period.
- 3.8 The PPG is clear that reasonable alternatives should be identified, and the assessment of these should inform the local planning authority in choosing its preferred approach (ID: 11-017). The results of MK/SUB/005 did not demonstrate that higher levels of growth were unsustainable and unsuitable. Therefore, the inclusion of a housing requirement above that of the OAN, which

includes the full allocation and delivery of MKE, is a suitable and sustainable option and therefore could reasonably and justifiably be included as a full allocation, rather than a reserve site. It appears implicit that a higher housing requirement, above that of the OAN - notwithstanding our critique - could be achieved without significant adverse impacts, and therefore MKE could sustainably be delivered across the Plan period. Additionally, were the OAN to increase [in line with our critique], the increased housing requirement would not result in a negative or unsustainable affect, beyond those identified as suitable and sustainable, as evidenced by the results of the higher growth levels in Table 7.1 of MK/SUB/005.

- 3.9 With regards to negative impacts of growth levels, lower levels of growth consistently demonstrated negative socio-economic affects, in relation to community infrastructure and economic and employment growth – as they would not deliver the critical mass to deliver strategic community infrastructure.

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?

- 3.10 This is considered a matter for the Council to comment.

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?

- 3.11 As a point of principle, it is important to recognise that an adjustment for affordable housing is part of the full OAN¹², and is not a matter for a ‘policy-on’ adjustment in setting the requirement. In this regard, if the Inspector considers an adjustment is justified, this is a matter in considering the SHMA and the application of para 14 in terms of the ability of Milton Keynes to meet its full OAN.
- 3.12 In the most recent year (2017-18) 31% of homes completed were affordable¹³ and over the last 10 years 27% of all homes delivered were affordable according to the Council’s data. The SHMA identifies an annual affordable housing need of 547 per annum, which would likely be met at the current OAN if delivery continued at around 30%. However, we note that the SHMA’s estimate of affordable housing need is likely to be an underestimate given that it assumes the ongoing role of the private rented sector housing those in affordable housing need through the use of housing benefit. This is not a form of affordable housing in policy and guidance and correcting this would place upward pressure on the OAN (Technical Note 2.33).

¹² After a period in which this was a matter of debate – notwithstanding PPG ID2a-029 – due in part to incorrect advice in the PAS Guidance, the position has been clarified by the Courts in Kings Lynn and in Jelson – see earlier references..

¹³ Source: Milton Keynes Council Housing Statistics Appendix 1c – 1,527 completions of which 363 were affordable. Total homes completed in last 10 years 13,902 of which 3,805 (27% were affordable).

4.0 Issue 4 – Wider Accommodation Needs

Gypsies and Travellers

Q3.20 Is the 2017 Gypsy & Travellers Accommodation Assessment up-to-date and does it provide a robust and justified evidence base? Is the identified need for 19 pitches justified?

4.1 This is considered a matter for the Council to comment.

Q3.21 Is there any evidence that the Plan should make provision for short stay stopping sites (transit sites) in line with Planning Policy for Traveller Sites? The GTAA refers to an Autumn 2018 Review, is there a commitment to undertake this and when would outputs be available?

4.2 This is considered a matter for the Council to comment.

Q3.22 How will the needs of people who have permanently ceased to travel be addressed? Has consideration been given to a wider assessment of caravan and houseboat needs as required under Section 124 of the Housing and Planning Act 2016?

4.3 This is considered a matter for the Council to comment.

Older persons

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?

4.4 This is considered a matter for the Council to comment.

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).

4.5 This is considered a matter for the Council to comment.

Conclusion on Housing Requirement

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

4.6 No. It does not reflect the key stages set out in the PPG, namely addressing future household suppression, adequately responding to market signals, significantly under-estimating employment growth (having regard to past trends and the economic potential of the area) and

under-estimating affordable housing need. Based on applying a more appropriate market signals uplift to demographic-led need, there is **no basis to conclude the OAN for Milton Keynes is any less than circa. 2,000 dwellings per annum**; moreover, this could be significantly higher depending on the scale of employment growth (and applying a market signals uplift to that figure).

5.0 Issue 5 – Housing Land Supply

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

- 5.1 The NPPF paragraph 14 states that Local Plans should retain “*sufficient flexibility to adapt to rapid change*”, which means ensuring a housing trajectory has sufficient land supply across the Plan period so that it can adjust and accommodate any unforeseen circumstances.
- 5.2 The Council’s proposed modifications (MK/SUB/004) indicate that the proposed supply has increased; now identifying allocations for 7,526 dwellings, resulting in a total supply of 29,500 dwellings – or a 10% land supply buffer above the 26,500 OAN (PM3, MK/SUB/004). The Council consider that 10% buffer provides flexibility in the supply of land to ensure the OAN is met even in the event of deliverability issues on certain sites (para 4.5, MK/SUB/001); however, this buffer is fundamentally underpinned by the SEMK allocation, which the Council acknowledges (para 4.18, MK/SUB/001). However, the Council then caveats this, stating that the SEMK allocation buffer could be reduced depending upon the outcome of future decisions on the alignment of the Oxford-MK-Cambridge Expressway (para 4.18, MK/SUB/001).
- 5.3 There are legitimate concerns regarding the deliverability and achievability of some of the identified sources of supply, and any significant slippage in the delivery of 3,000 of the SEMK allocation would see this flexibility significantly eroded, a fact which the Council acknowledges. It is considered that the Plan’s housing trajectory does not allow for sufficient flexibility in meeting the housing requirement, which is further compounded when the increased scale of housing need, identified in Issue 3, is brought into the trajectory. As such, the Plan does not provide sufficient flexibility, in line with paragraph 14 of the NPPF, and the inclusion of MKE as a full allocation to meet these needs is required.

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?

- 5.4 This is considered a matter for the Council to comment.

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)?

- 5.5 This is considered a matter for the Council to comment.

iii) How decision makers should calculate a five year deliverable supply?

5.6 This is considered a matter for the Council to comment.

iv) What contingency measures would be called upon were monitoring to identify a deficiency in the deliverable supply prior to plan review?

5.7 Yes. Table 23.1 of the MK/TOP/001 sets out contingencies should some existing allocations and permissions prove to be unviable, or slippage in large strategic sites due to market conditions. Most of the contingencies identified relate to facilitating development through various assistance to landowners, developers and stakeholders of fully allocated sites. However, fundamentally, the Plan mostly defers immediate actions, such as the allocation of further sites, to a potential future review of the Plan. A second successive plan review (recalling that the Core Strategy adopted in July 2013 was subject to an early review via Plan:MK), as a mechanism to address a deficiency in the deliverable supply, does not represent a strategy that plans positively for longer term requirements, and serves to highlight that MKE should be fully allocated to ensure a sufficiently flexible developable supply of housing.

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?

5.8 This is considered a matter for the Council to comment.

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?

5.9 This is considered a matter for the Council to comment.

ii) Is the capacity from estate regeneration and urban intensification (for example Campbell Park) justified?

5.10 This is considered a matter for the Council to comment.

iii) Is the windfall allowance adequately justified?

5.11 Yes. NPPF paragraph 48 permits local authorities to make an allowance for windfalls, albeit this is caveated by stating that there must be “*compelling evidence that such sites have consistently become available in the local area and will continue to provide a reliable source of supply*”, and that small sites should not include ‘residential gardens’. The windfall allowance used in the Council’s trajectory is for sites of less than 10 units and is split into urban and rural windfalls (60dpa - urban area; 35dpa - rural area), and has been applied across the entire plan period.

5.12 MK/TOP/002 includes annual windfall completions for the 2008-2018 period (Table A), indicating that completions have peaked at 434 per annum (pa) (2011/12), with a low of 109 pa (10/11), and an average of 186 units pa. On the basis of previous completion rates, the estimate of 95 windfalls pa appears justified, reasonable and is based on long term trends. However, to

ensure no double counting of small site permissions and windfalls, a more appropriate approach should be applied whereby the windfalls allowance does not apply for the next two years of the Plan to allow those small site permissions sufficient time to build out.

iv) Has appropriate consideration been given to lapse rates for planning permissions?

5.13 This is considered a matter for the Council to comment.

v) Is there any dispute that a 20% buffer should be added to the deliverable supply to address persistent under-delivery?

5.14 This is considered a matter for the Council to comment.

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?

5.15 This is considered a matter for the Council to comment.

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?

5.16 This is considered a matter for the Council to comment.

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?

5.17 This is considered a matter for the Council to comment.

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?

5.18 This is considered a matter for the Council to comment.

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?

5.19 This is considered a matter for the Council to comment.

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?

5.20 This is considered a matter for the Council to comment.

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?

5.21 This is considered a matter for the Council to comment.

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?

5.22 This is considered a matter for the Council to comment.

Housing Land Supply Conclusions

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

5.23 This is considered a matter for the Council to comment.

Q3.38 Will there be a five year supply of deliverable pitch provision for gypsies and travellers?

5.24 This is considered a matter for the Council to comment.

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

5.25 No. As set out in Q3.36 above, there are concerns regarding the limited flexibility in the supply of developable sites allocated within the Plan across the Plan period. This highlights the need to fully allocate MKE to ensure a sufficient supply of developable housing land.

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)?

5.26 This is considered a matter for the Council to comment.

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?

- 5.27 Parts of MKE could be delivered prior to the required infrastructure works for the whole site, which could ensure both flexibility and continuity in supply, through the delivery of short/medium term sites, therefore increasing the land supply buffer above the housing requirement. Accordingly, subject to suitably worded conditions in policy, the Plan should be modified to include MKE as a full allocation for housing (and employment) for delivery within the current plan period.



Annex – Technical Note on Objectively Assessed Need

Technical Note on Housing Need – Milton Keynes

Our ref 12491/03/MS/BHy
Date June 2018

1.0 Introduction

1.1 This note has been prepared by Lichfields on behalf of Berkeley to support Berkeley’s Matters Statements to the Milton Keynes Plan:MK Examination, specifically Matter 3 (Meeting Housing Needs) Issue 2 (Determining the Full OAHN). This note is an abridged version of a technical note submitted by Lichfields on behalf of Berkeley to the Plan:MK Regulation 18 Consultation in Summer 2017 and amplifies points made in the Regulation 19 Consultation. Where applicable, this Technical Note also addresses the points raised by the Council in its report to the Inspector’s Preliminary Letter (INS1a).

Policy and Guidance

1.2 The National Planning Policy Framework (NPPF) outlines that Local Planning Authorities (LPAs) should positively seek opportunities to meet the development needs of their area (paragraph 14) and that in order to ‘boost significantly’ the supply of housing that they should use their evidence base to ensure that their Local Plan meets the full objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this framework (paragraph 47).

1.3 The Planning Practice Guidance (PPG) indicates that there is no one methodological approach or dataset(s) that will provide a definitive assessment of development need (paragraph 005). However, an objective assessment of need should use household projections as the starting point (paragraph 015), consider sensitivity testing (paragraph 017) and take account of employment trends (paragraph 018), appropriate market signals (paragraph 019) and affordable housing needs (paragraph 029).

2.0 Objectively Assessed Housing Need

2.1 The objectively assessed housing need (OAHN) for Milton Keynes is set out in the Milton Keynes Strategic Housing Market Assessment (February 2017) (“the SHMA”). It concludes on an OAHN of 1,766 dwellings per annum (“dpa”) for the period 2016-31, as shown in Table 1.

Table 1 Concluded OAHN for Milton Keynes

		Dwellings per annum
Starting point (CLG Household Projections)		1,513
Adjustment for long-term migration trend		+83
Adjustment for concealed/homeless households		+54
<i>Demographic-led need</i>		<i>1,650</i>
Further adjustments for...	Balancing jobs and workers	+116
	Market signals	+105
	Backlog of provision (2015-16)	+37
	Combined impact of adjustments	+116
Full OAHN		1,766

Source: SHMA Figure 2. Figures have been converted to a dpa basis.

Demographic-led Needs

- 2.2 The PPG sets out that in assessing demographic-led housing need DCLG household projections form the overall starting point for the estimate of housing need, but that these may require adjustments to reflect future changes and local demographic factors which are not captured within the projections (ID 2a-015). It indicates that, with regard to household projections:

“The household projections are trend based, i.e. they provide the household levels and structures that would result if ... previous demographic trends ... were to be realised in practise...[they] may require adjustment to reflect factors ...which are not captured in past trends...rates may have been suppressed historically by under-supply and worsening affordability of housing...”

- 2.3 The SHMA states (para 2.59) that the 2014-based household projections should not be adjusted, but that an adjustment is considered as part of a market signals uplift when determining the OAHN. However, it provides no evidence to support this. The most recent DCLG projections show household formation rates for 25-29 and 30-34 year olds in Milton Keynes deteriorated sharply between 2001 and 2011, and are projected to continue declining in the household projections (see Appendix 1). During the 2001-11 period, average annual completions were just over 1,500 per annum (well below the target of 2,410 in the Local Plan at the time), which is around 150 dpa lower than in the 1991-2011 period, and since 2001, annual completions have fallen further to just over 1,300 dpa¹. In this context the SHMA should sensitivity test the implications of some recovery in household formation rates, for example back to 2001 levels (as is common practise in assessing need in line with the PPG).

- 2.4 In INS1a (p.21) the Council seeks to justify not making such an adjustment by stating that it would be inappropriate to assume an adjustment is needed where changes have been caused by societal trends. Whilst there is some truth in this (for example, greater proportions of young adults going to University have affected formation rates), it cannot be denied that formation rates have not been affected at least in part by a lack of housing supply, particularly in the late 2000s. Given some of the decline in household formation has resulted from factors related to housing supply, it would be prudent to make at least some adjustment to formation rates to address this. The SHMA has not done this. The PPG (ID: 2a-015) states the following with regards to the need to make adjustments to take account of past under delivery of housing and its impact on household formation.

“The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing. The assessment will therefore need to reflect the consequences of past under delivery of housing. As household projections do not reflect unmet housing need, local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply.”

- 2.5 It is curious that, at INS1a (p.22), the Council appears to accept that an adjustment for this suppression is necessary because it makes an allowance for current concealed families (i.e. concealed families which have arisen to date as a result of past suppression). This effectively acknowledges the effect of household suppression and addresses this for current concealed families, however for some reason the SHMA stops short of addressing suppression in future

¹ All figures taken from Milton Keynes Housing Statistics Appendix 1c: Completions since 1989

household growth, i.e. through an adjustment to projected household formation rates because it continues to plan for a reduction in headship rates.

- 2.6 The PPG implies that adjusting household formation rates and adjusting for market signals are two stages in calculating OAHN (headship rates in ID 2a-015 and market signals in 2a-019). There is likely be some overlap between the two, however it should be noted that adjustments for household formation are responding to a particular group, whereas affordability issues more generally can affect any age group. If a single adjustment were made which was sufficient to address both of these factors, this may be an adequate response. However, the SHMA has omitted any adjustment for household formation, and only made a 10% adjustment for market signals (which as we set out below, is insufficient for Milton Keynes).

Market Signals

- 2.7 The PPG sets out a clear two-stepped process to addressing market signals within the calculation of OAHN. Firstly, to determine *whether* a market signals uplift is necessary (ID2a-019), and secondly, (where required) to identify *what scale* that should be, given it should be a level that could on reasonable assumptions be expected to improve affordability (ID2a-019). In respect of the SHMA, we do not dispute stage 1. It is the second step that is in dispute, and whether the SHMA’s 10% uplift could “*on reasonable assumptions... be expected to improve affordability*”.
- 2.8 For context, the affordability ratios for Milton Keynes for 2008-17 are shown below. Affordability across all indicators is now at the worst levels (exceeding the 2008 peak), and there appears to be particular issues at the lower end of the market with lower quartile prices over 9 time lower quartile incomes (workplace and resident based).

Table 2 Milton Keynes Affordability Ratio (House Prices to Earnings)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Median workplace	6.75	5.84	6.60	6.60	6.55	6.61	6.84	7.74	7.63	8.65
Lower Quartile workplace	7.31	6.28	7.03	6.88	6.86	6.85	7.49	8.00	8.40	9.38
Median resident	6.80	6.05	6.70	6.25	6.40	6.35	6.92	8.12	8.50	8.49
Lower Quartile workplace	7.36	6.36	7.02	6.74	7.06	7.03	7.65	8.32	8.89	9.12

Source: ONS

- 2.9 The Council has attempted to justify its 10% uplift in INS1a (p.23) which provides a comparison of the affordability in other areas where uplifts have been accepted. The Council’s position is that whilst other areas have seen higher uplifts than 10%, these have been areas where affordability is worse. However, the examples given by the Council actually show uplifts are being applied on an apparently inconsistent basis, for example;
- Cheshire East and Stevenage have virtually the same affordability ratios (7.36 and 7.42 respectively, both 7.4 when rounded), yet only a 3% uplift was applied in Cheshire East whilst a 10% uplift was applied in Stevenage;
 - Cambridge is more affordable than Waverley (12.97 compared to 14.84) but Cambridge has a higher uplift than Waverley (30% compared to 20%); and
 - Both South Cambridgeshire and Stevenage have 10% uplifts applied, despite South Cambridgeshire being significantly less affordable (with a ratio of 10.12 compared to 7.42).

2.10 On the above basis, limiting Milton Keynes to a 10% uplift on the basis of comparators is flawed. By this logic, for example, as Milton Keynes is less affordable than Stevenage, it should in theory have more than a 10% uplift applied. Similarly, it would have been inappropriate in Cambridge to apply an uplift of above 20% (or in Waverley the uplift should have been above 30%). Whilst comparisons can be useful, the uplifts applied in each authority are a reflection of local circumstances and, as per the PPG, should be one which on reasonable assumptions could be expected to improve affordability. Evidently, the approach of applying a fixed percentage based on comparisons with other areas does not demonstrate this will be achieved in Milton Keynes.

The principle of market signals uplift to improve affordability

2.11 Under the current planning system, achieving a national outcome for housing supply is the product of implementing a large number of individual local plans. As such it is fundamentally necessary to link any local strategies to the overarching national principles which are driving Government policy (i.e. ‘think global, act local’). Each area will have its role to play in contributing towards the Government’s aims; some more than others, based on their circumstances. It is acknowledged that housing supply is but one factor influencing the affordability of housing (availability of credit and household incomes being two other key influencers), but the role of the planning system in increasing supply to achieve this is clearly an important lever available to government, and one that it seeks to apply through PPG-compliant assessments of OAHN.

2.12 The purpose of a market signals uplift is to ensure the Government’s housing aims (as expressed in the NPPF) are met and to ensure this is reflected in assessments of need by making “*upward adjustment to planned housing numbers compared to ones based solely on household projections*” (PPG ID2a-020) where market signals indicate such an adjustment is necessary. The principle of providing ‘more’ than ‘unvarnished’ household projections in England has long been established through successive assessments of the country’s problems with lack of housing supply. A literature review of these assessments is included at Appendix 2. They demonstrate, over a sustained period, a consensus over the need to increase supply above household projections to deliver improvements in housing affordability. This has continued to underpin successive Governments’ approach to assessing housing need, including within the PPG and more recently as recognised within the Housing White Paper. Across these reports, the evidence would suggest that - at the national level - an uplift of between **20.9% and 44.2%** above the number of homes implied by official household projections alone would be necessary to deliver improvements in affordability. It is important to note that these uplifts refer to the scale of uplifts needed against the national household projections and that uplifts in individual local authorities will depend upon, for example:

- The level (or rate) of underlying household growth (for example, areas with a higher than average rate of projected household growth might only be able to make a lower uplift in order to stay within with could ‘reasonably be expected to occur’);
- Local affordability;
- Other factors, such as demand from employment growth or local affordable housing needs.

An evidence based market signals uplift for Milton Keynes

2.13 The PPG does not set out a single definitive approach. It suggests (ID: 2a-020) that the adjustment should be one that is reasonable and which is related to the relative scale of affordability constraints and other indicators of high demand. The greater the improvement in

affordability needed, the larger should be the additional supply response. Plan makers should not attempt to estimate the precise impact of an increase in housing supply, rather they should increase planned supply by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, then monitor the response over the plan period.

- 2.14 On the simplest basis, applying the scale of uplifts identified as required to address affordability at the national level of between 20.9% and 44.2% would indicate a figure of **1,995-2,379 dpa** in Milton Keynes (based on the SHMAs 1,650 dpa demographic-led needs). Naturally, such an approach assumes other Local Plans would also make appropriate adjustments for their market signals in accordance with Government policy. However, we also need to consider the circumstances of Milton Keynes, given the problems of affordability are worse than the national average.

1. OBR house price forecast and University of Reading model

- 2.15 Affordability modelling using the Office for Budget Responsibility (OBR) Working paper No.6 'Forecasting house prices' and the University of Reading affordability model (was undertaken by Lichfields as part of previous representations to the Regulation 18 Plan:MK consultation².
- 2.16 At Appendix 3 of this Technical Note, we present further modelling to demonstrate;
- 1 When the elasticities associated with household growth, dwelling growth and wage growth are applied to historic change (i.e. what has actually happened in Milton Keynes), the model produces an estimate of house prices and affordability in 2017 which is very close to (within 4% of) the actual figure. This suggests any criticisms that the model does not apply locally are unfounded based on the evidence; and
 - 2 How affordability would change under various (1%, 2% and 3% per annum) wage growth assumptions, i.e. not dependent on OBR forecasts.
- 2.17 Based on the elasticities for household growth, dwelling growth and wage growth, this demonstrates that unless there is static wage growth improvements in affordability will not occur without significant increases in supply²⁴. Historically, median workplace-based earnings in Milton Keynes have grown by around 2.6% per annum (see Appendix 3) and wages nationally are forecast to continue growing, so the presumption of static wage growth is clearly not plausible.
- 2.18 The analysis shows that at the current OAN (1,766 dpa), if all of the SHMA's uplift (to the demographic baseline) were filled by in-migration as a result of employment growth, there would effectively be no uplift for market signals, and by 2031 affordability would be 10.4-12.8 (depending on wage growth). Applying a 20% uplift to the employment-led figure for market signals (i.e. c.2,100 dpa) would broadly keep the affordability ratio at its current level (if wage growth slowed to 1% per annum), but would worsen up to 12.5 (if wage growth were 3% per annum).
- 2.19 None of this is to say this is a precise impact, but it illustrates that there is clear justification for applying some uplift for market signals in addition to the economic-led uplift because if the uplift for employment is filled entirely by in-migration households there will not be any truly 'additional' housing to induce household formation and improve affordability. The SHMA's approach, i.e. conflating the uplift for market signals with the economic uplift, would only be

² Para 2.29 and Appendix 2 of "Objectively Assessed Housing Need – Milton Keynes", appended to Milton Keynes East Draft Plan:MK Consultation (March - June 2017) Representations on behalf of Berkeley Strategic Land Limited, June 2017

able to serve one purpose since each uplift has different objectives (market signals – to induce formation and improve affordability, employment – to induce in-migration of households to provide more labour). In this context, the SHMA’s approach is flawed.

2. Milton Keynes weighted apportionment of national needs

2.20 Milton Keynes is relatively worse in respect of affordability than the national equivalent, with a lower quartile affordability ratio of 8.8 [2016] compared with 7.2 nationally. All other things being equal, to improve affordability across the country, Milton Keynes, and its housing market area peers, would need to make a proportionately greater uplift than those areas where affordability issues are less acute. If we accept the national position that the minimum national level of delivery required is c.250,000 dpa then this would imply a 35,000 dwelling uplift above the household projections (at c.215k dpa). Based on the Government’s most recent position that housebuilding should reach 300,000³ by the mid-2020s (which broadly accords with the level concluded by the House of Lords Select Committee Report – see Appendix 2) then this uplift would be 85,000. We can then consider how this required uplift should be shared between 320+ Local Planning Authorities across the country in order to seek to hold the affordability ratio (at least at a national level) constant. In doing so, we broadly adopt a localised version of the approach adopted by the NHPAU as summarised in Appendix 2.

2.21 We have assumed that every district (whether above or below the national ratio) makes a market signals uplift in proportion to its difference with the lowest affordability ratio, Copeland at 2.6, (weighted 50%) and its projected household growth (weighted 50%). Assuming a national total of 250,000 dwellings this would see Milton Keynes address 180 dpa of the overall uplift (of 35,000), equating to an **11%** uplift on the SHMA’s starting point of 1,650 dpa. At 300,000 dpa nationally, this uplift would be 437 dpa (of the 85,000), a **26%** uplift on the starting point of 1,650 dpa.

Scenarios that could ‘reasonably be expected to occur’

2.22 On average over the last 15 years (2001-16), Milton Keynes has delivered housing growth at a rate of 1.5% per annum⁴, and in some years pre-recession this has been higher. However, the NPPF’s requirement for Local Planning Authorities to ‘*significantly boost the supply of housing*’ (para 47), hence it would not be unreasonable to set OAHN at a level in excess of past rates of growth (if this remains reasonable). We have therefore reviewed recently adopted Local Plans (Table 3); these levels of growth have been judged by Inspectors to be deliverable (i.e. reasonable). Cherwell in Oxfordshire has the highest growth rate of 1.82%; a rate which is set to increase further once Cherwell accommodates a share of Oxford’s unmet need. Several other areas have growth rates of around 1.6-1.7% per annum – higher than rates seen historically but still deemed to be reasonable by those Inspectors.

2.23 For Milton Keynes, an OAHN of 1,900-2,000 dpa (before any employment uplifts are applied) which represents a 15-20% uplift on the starting point of 1,650 dpa would represent a growth rate of **c.1.7-1.8%**. This would be slightly higher than past delivery rates, but in the context of other plans in the south of England is well within what could ‘reasonably be expected to occur’. It is lower than the uplifts indicated through the national evidence (20.9%-44%), however it reflects the fact that underlying household growth in Milton Keynes is higher than average. The final figure (having applied the uplift for market signals) must be considered in the context of what could reasonably be expected to occur.

³ As set out in the Autumn Budget 2017 by the Chancellor the Rt Hon Phillip Hammond MP

⁴ Source: DCLG Live Table 125 – Dwelling stock by District

Table 3 Adopted housing targets in post-NPPF Plans

	Adopted Annual Housing Target	Stock 2016	Annual Growth Rate
Cherwell	1,140(+)	62,402	1.82%(+)
Swindon	1,625*	94,374	1.72%
Mid Sussex	1,026	61,878	1.66%
Taunton Deane	850	52,840	1.61%
East Cambridgeshire	575	36,971	1.56%

Source: Housing targets - respective Local Plans. Stock - DCLG Council Tax Base data.

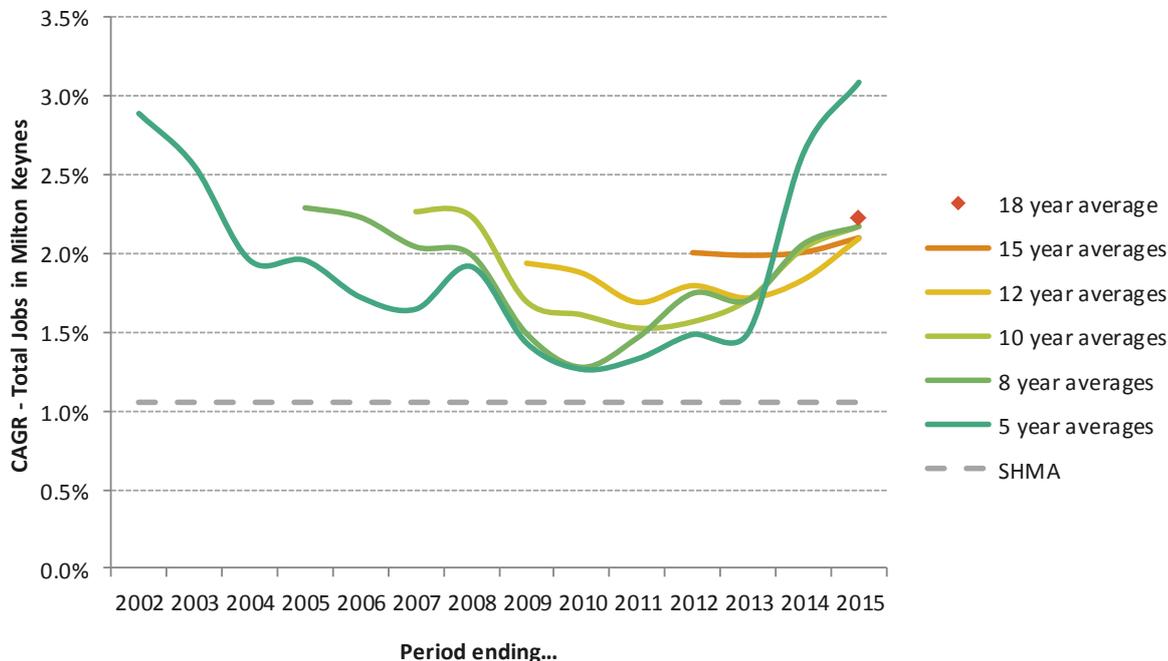
*Total housing target 2011-2026 22,000 dwellings (1,467 dpa), however Policy SD2 of Local Plan states average annual housing delivery from 2016-2026 will be higher at 1,625 dpa

Employment-led needs

- 2.24 The PPG states (ID 2a-018) plan-makers should assess the likely change in job numbers with reference to past trends and/or forecasts. The SHMA uses employment forecasts from the East of England Forecasting Model (EEFM, produced by Cambridge Econometrics), which equate to a compound annual growth rate (CAGR) of 1.06% per annum⁵. This level of growth underpins the employment uplift in the final OAHN.
- 2.25 Figure 1 shows past job growth in Milton Keynes in terms of the rolling average CAGR over 5-18 year periods since 1997. It shows job growth has been consistently above that forecast in the EEFM, with the longer term (15-18 year) averages showing growth of 2-2.2% per annum - around double that forecast in the SHMA. Whilst shorter term averages have fluctuated, they still show that average annual growth only been as low as 1.2% per annum and have never been as low as the forecast level in the SHMA. On this basis the employment forecast in the EEFM would appear particularly conservative, and therefore the OAHN derived from this potentially an under-estimate.

⁵EEFM forecasts the number of jobs in Milton Keynes will increase from 186,600 in 2016 to 218,500 in 2031.

Figure 1 Rolling Average CAGR - Past Job Growth in Milton Keynes



Source: Experian (March 2017)

Cambridge-MK-Oxford Corridor

- 2.26 Given the emphasis placed upon planning to do ‘everything it can’ to support economic growth as set out in the NPPF it is imperative that housing provision in Milton Keynes does not act as a barrier to supporting the wider aspirational economic strategy of the Cambridge-Milton Keynes-Oxford Corridor. The National Infrastructure Commission’s (NIC) report to Government on the arc in 2017⁶ stated that:

“The Cambridge-Milton Keynes-Oxford arc must be a national priority. ...The Commission’s central finding is that rates of house building will need to double if the arc is to achieve its economic potential.” (emphasis added)

- 2.27 A report by SQW/Cambridge Econometrics produced on behalf of Government in November 2016⁷ assessed a number of economic scenarios for the region. Its ‘transformational scenario’ was based on;

“...the concept of “the Cambridge – Milton Keynes – Oxford corridor as a globally competitive knowledge cluster”... This could, in theory, revolutionise the knowledge based employment potential of this corridor and create the kind of globally competitive cluster that was envisaged in the Chancellor’s statement.” (p. 5.5)(emphasis added)

- 2.28 This transformational scenario forecast employment growth of **1.6%** per annum in Milton Keynes (2014-50) (Table 5-13 of the report). The forecast which underpins the OAHN in the SHMA would therefore appear to be a significant under-estimate in the context of both past

⁶ “Partnering for Prosperity” - <https://www.nic.org.uk/wp-content/uploads/Partnering-for-Prosperty.pdf>

⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/601163/Economic-analysis-Cambridge-Econometrics-SQW-report-for-NIC.PDF

trends (which show long term growth of around 1.5-2% per annum) and the future economic potential of the region (where growth could be expected at similar levels to past trends).

Market signals and employment needs

- 2.29 The purpose of a market signals uplift is to provide more homes than expected through population growth, as made clear in PPG ID 2a-020, in order to induce household formation and to improve affordability by providing ‘more’ homes. The purpose of an employment uplift is to attract additional in-migration to a given area to increase the size of the labour force and support job growth. The PPG ID-2a-018 is clear that plan makers should make an assessment of the likely change in job numbers and have regard to the growth of the working age population in the housing market area. The PPG also requires any cross-boundary migration assumptions, particularly when they assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. This shows a direct link between the need to consider job growth and the associated impact on the working age population in a given LPA.
- 2.30 The SHMA’s position, as clarified in INS1a (p. 24) is that the market signals and employment uplift overlap and therefore only a single adjustment is needed. However, this is illogical given the purpose of each uplift. The provision of more housing to support employment growth will simply accommodate the extra demand arising from households attracted to occupy the extra employment. Employment growth will increase price pressures rather than reduce them, and any market signals uplift that overlaps with it will in fact be overwhelmed by it.
- 2.31 To ensure that both objectives (i.e. of attracting in-migrants and inducing household formation) are achieved, it is necessary to consider making at least some further market signals uplift to the employment-led scenario. This is because if all of the additional homes provided by the employment uplift were filled by in-migration of households to support labour force growth, then there would be no effective uplift for market signals, i.e. no induced household formation or truly ‘additional’ supply. This would therefore not meet the full OAHN of the District, taking account of demographic change, employment and market signals.

Affordable Housing

- 2.32 The PPG sets out an approach to identifying affordable housing needs (ID 2a-022 to ID 2a-029). Three High Court judgments go to the heart of addressing affordable housing within the identification of OAHN. ‘Satnam’⁸ establishes that affordable housing needs are a component part of OAHN, indicating that the “*proper exercise*” is to identify the full affordable housing needs and then ensure this is considered in the context of its likely delivery as a proportion of mixed market/affordable housing development (se set out in the PPG). ‘Kings Lynn’⁹ builds on ‘Satnam’ identifying that identified affordable housing needs (para 36) “*should have an important influence increasing the derived FOAHN since they are significant factors in providing for housing needs within an area.*” ‘Jelson’¹⁰ provides further clarification, including that it is a matter of planning judgement as to how it is addressed. Evidently affordable housing needs are a substantive and highly material driver of any conclusion on full OAHN.
- 2.33 The PPG sets out a structured methodology for the calculation of affordable housing needs with clear stages. Unfortunately, the SHMA does not follow the prescribed methodology of

⁸ Satnam Millennium Limited and Warrington Borough Council [2015] EWHC 370

⁹ Kings Lynn and West Norfolk Borough Council v (i) Secretary of State for Communities and Local Government and (ii) Elm Park Holdings [2015] EWHC 1958

¹⁰ Jelson Ltd v Secretary of State for Communities and Local Government [2018] EWCA Civ 24

calculating the affordable housing needs of Milton Keynes as set out in the PPG, utilising its own 'housing mix model' to determine the level of affordable housing need in Milton Keynes. The main flaw in the SHMA's approach that it assumes the continued role of housing benefit in meeting needs (i.e. those living in the private rented sector). This is not, as defined by the NPPF, a form of affordable housing and Inspector's elsewhere have noted that there is no basis in the framework or guidance for assessing needs in this way¹¹. On this basis the SHMA's affordable housing need assessment is likely to be a significant under-estimate.

- 2.34 The SHMA demonstrates that reducing housing benefit support would lead to a need for 14,400 affordable dwellings over the plan period (960 pa), therefore on the SHMA's calculations this should form the [minimum] affordable housing figure for Milton Keynes. Having estimated the affordable housing need, the SHMA should have then undertaken the required exercise in the PPG (as confirmed in Satnam, i.e. comparing need to likely rate of delivery,) to determine whether uplift should be made to help meet this need (as set out in King's Lynn). Over the last 10 years around 30% of homes delivered in Milton Keynes have been affordable¹²; if delivery continued at this rate, an affordable need of 960 dpa clearly places upward pressure on the overall OAHN (with a total of 3,200 dpa required to meet the affordable housing need in full – although the OAHN still needs to be reasonable).

3.0 Summary and Conclusions

- 3.1 Having reviewed the SHMA against the requirements of the PPG, Lichfields concludes that the Milton Keynes SHMA under-estimates the OAHN. This is based on:

- 1 The SHMA failing to respond to household formation rates, which are projected to decline amongst young adults. The Council's apparent view is that no adjustment is needed because this change has been down to societal changes (and not related to housing supply) – this is clearly not the case;
- 2 An insufficient uplift for market signals, and failing to consider scenarios that could reasonably be expected to occur. In our view an uplift of c.15-20% to the demographic-led needs, to c. 1,900-2,000 dpa could be expected to keep affordability at its current (2016) level over the plan period, and would be well within what could be expected to occur (although greater uplift may be required to respond to employment-led needs);
- 3 The job growth figures which underpin the SHMA suggest slower growth than seen during any period (short, medium or long term) since 1997, and also well below the scale of job growth expected across the Cambridge-Oxford-Milton Keynes arc were it to realise its economic potential. This provides further justification for making a greater market signals uplift, or even applying the market signals uplift to a [higher] economic scenario given the potential scale of housing demand in the area; and
- 4 The SHMA's analysis of affordable housing needs is likely to under-estimate the true need for affordable housing because it assumes the ongoing role of housing benefit supporting households in the private rented sector – this is not a defined form of affordable housing. The SHMA's own analysis shows that without housing benefit up to 960 affordable homes

¹¹ Inspector's elsewhere have noted that those in the private rented sector do not benefit from security of tenure and may not be living in the standards they would have in social or affordable rented housing, e.g. see Eastleigh Local Plan Inspectors Report February 2015 (<https://www.eastleigh.gov.uk/media/2247/inspectors-report-february-2015.pdf>) para 34. Inspector also stated that "there is no justification in the Framework or Guidance for reducing the identified need for affordable housing by the assumed continued role of the PRS with LHA"

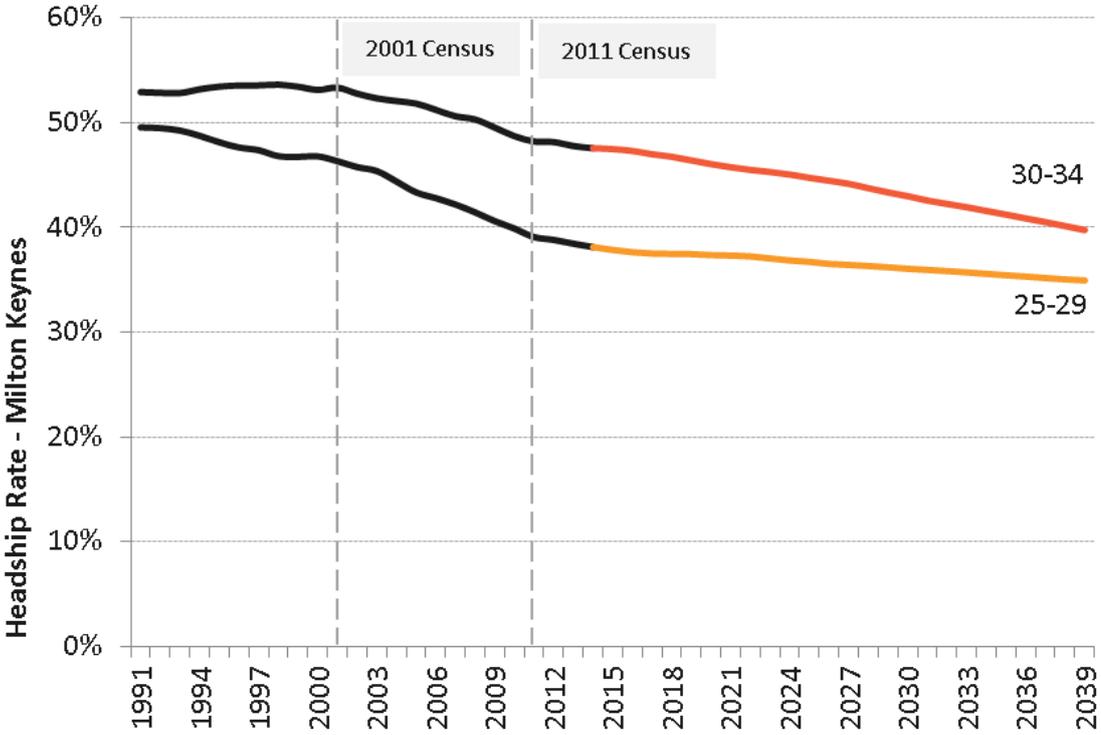
¹² Milton Keynes Housing Data Appendix 1c: Housing Completions 1989-2018, shows 3,805 affordable completions and 13,902 total completions between 2008 and 2018.

would be needed each year, which (in line with King's Lynn and the exercise set out in the PPG) provides a clear justification for increasing the OAHN. It has been demonstrated that housing delivery in excess of the SHMA could reasonably be expected to occur, giving the scope for uplift to meet more of the identified affordable housing need.

- 3.2 Taken together the market signals evidence suggests that c.1,900 -2,000 dpa would be necessary to improve affordability in line with the PPG, with further uplift required above this if Milton Keynes were to significantly boost housing supply to address affordable housing needs and/or to support employment growth. Overall the evidence points to the OAHN for Milton Keynes being no less than in the region of **2,000 dpa**, although this could be significantly higher depending on the likely scale of future job growth.

Appendix 1 – Household Formation Rates for Milton Keynes

Figure 2 Historic and Projected Headship Rate - Milton Keynes



Source: Lichfields based on DCLG 2014-based Household Projections

Appendix 2 Review of Market Signals Literature

Barker Review

- 1 The Barker Review of Housing Supply¹³ was a seminal report that continues to influence government policy. Published in 2004 and using a baseline figure of 140,000 private sector dwelling starts in 2002-03, the report concluded that to reduce the long term price trend from 2.7% per annum seen prior to 2004, to the 1.1% per annum seen as an average across the EU, would require an increase of 120,000 additional private homes per annum, totalling 260,000 per annum to 2026, alongside an increased provision of social sector housing. The Barker Review concluded that such a level would be necessary for “*improving the housing market*” and ensure that “*affordability is increasingly improved over time*” (paras 1.39 and 1.40).
- 2 In making such a recommendation, the Review acknowledged that this was in excess of projected rates of household formation (at that point estimated at 179,000 per annum). Even today, with household projections in England at around 210,000 households per annum¹⁴ and equating to around 215,000 dwellings per annum (incorporating a notional 2.5% vacancy rate), the 260,000 dwellings per annum concluded within the Barker Review as necessary to increasingly improve affordability would represent a national average uplift of **20.9%** above the demographic projection.
- 3 Flowing from the Barker Review, Government commissioned the development of an Affordability model by Reading University, designed to relate affordability to housing supply in the medium to long term. The key findings from the 2007 version of the model was that the elasticity of house prices with respect to housing stock is found to be relatively high, at -2.0 i.e. a 1% increase in stock at the regional level leads to a 2% fall in house prices, everything else being equal. It also identified that a 1% increase in wages leads to a 2% increase in prices. In other words, if house prices are to fall, the extra housing supply needs to be sufficient to overcome the price effect of any increase in wages. This has informed much subsequent work by Government.

National Housing & Planning Advice Unit (NHPAU)

- 4 The NHPAU was founded by Government as a direct response to the recommendations of the Barker Review. In October 2007, it published work entitled ‘Developing a target range for the supply of new homes across England’¹⁵ flowing from analytical modelling (using the Reading University model) on the impact of the Government’s housing supply target for housing affordability prospects over the medium and long-term. Its conclusion was that a supply range from a minimum of 240,000 dpa (the Government’s annual target at that point) and a high 280,000 dpa should be tested (Table 18), going on to identify (para 4.68):

¹³ ‘Review of Housing Supply, Delivering Stability: Securing our Future Housing Needs’ (March 2004), Kate Barker - http://news.bbc.co.uk/1/01/shared/bsp/hi/pdfs/17_03_04_barker_review.pdf

¹⁴ CLG 2014-based household projections, which at the national level represent the same level of annual growth projected in the earlier 2012-based household projections.

¹⁵ ‘Developing a target range for the supply of new homes across England’ (October 2007), NHPAU - <http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/housing/pdf/523984.pdf>

“NHPAU believes that there is a realistic possibility of stabilising the affordability of market housing over the long-term if a supply target for 270,000 net additions to stock, in the right place and of the right type can be adopted through the planning system for delivery before or by 2016.”

- 5 At 270,000 dwellings per annum, this would represent a national average **25.6%** uplift above the bare demographic projection of the 2014-based household projections.
- 6 Crucially, the NHPAU concluded that if stabilising affordability in each region is the goal, then the most efficient way to achieve that is to proportionately increase supply in the areas where affordability is most severe. Thus it focussed 80% of its uplifts (over the then RSS targets) across the South East, the South West and the East of England.

Bramley & Watkins

- 7 Academic research by Bramley & Watkins¹⁶ has looked at the potential for modelling housing markets at a local level to inform planning decisions. One aspect it considers is affordability impacts of supply changes at the sub-regional level. It includes modelled scenarios that conclude “very high” increases in supply (over other elements within the model) across the South East, defined as 35%, can deliver notable improvements to affordability, including some improvement to affordability in London. This implies that high uplifts just short of **35%**, such as around **25%** in high value areas surrounding London, would be sufficient to address affordability at a local level (i.e. without spill-over benefits to surrounding areas).
- 8 Interestingly, this methodological approach is applied by Bramley to a review of the Bristol Area SHMA for Business West¹⁷. It concludes that an uplift of 50-60% is appropriate compared to 7.5% suggested by the SHMA.

House of Lords Select Committee on Economic Affairs

- 9 In July 2016, the House of Lords Select Committee on Economic Affairs published their report ‘Building More Homes’¹⁸ which was the output of the House of Lords’ inquiry into the housing market. It reflects on past failure to build sufficient numbers of homes, highlighting how supply has substantially undershot the recommended amounts within the Barker Review. It also draws upon evidence provided to the inquiry by HM Treasury (HMT) which indicated (para 81) that *“The modelling suggests that in order to keep the house prices to earnings ratio constant, somewhere between 250,000 and 300,000 homes per year need to be built.”* albeit the report goes on to note (footnote 91) that *“Due to low interest rates building 250,000–300,000 homes above may now be insufficient to keep the price: earnings ratio constant”*
- 10 Ultimately based on the evidence brought to the inquiry, the select committee concluded that:

“To address the housing crisis at least 300,000 new homes are needed annually for the foreseeable future.”

¹⁶ ‘Housebuilding, demographic change and affordability as outcomes of local planning decisions; exploring interactions using a sub-regional model of housing markets in England’ (2 October 2014) Bramley & Watkins, Heriott Watt University (Published in Progress in Planning 2015) - [https://pureapps2.hw.ac.uk/portal/en/publications/housebuilding-demographic-change-and-affordability-as-outcomes-of-local-planning-decisions\(23dfd394-4dc7-406d-ad05-3ee18fdd8497\).html](https://pureapps2.hw.ac.uk/portal/en/publications/housebuilding-demographic-change-and-affordability-as-outcomes-of-local-planning-decisions(23dfd394-4dc7-406d-ad05-3ee18fdd8497).html)

¹⁷ Business West: Wider Bristol Housing Market Area Strategic Housing Assessment 2015: Commentary by Bramley <http://initiativewest.co.uk/content/uploads/2015/12/Final-Bramley-WoE-SHMA-critique-30Nov2015.pdf>

¹⁸ ‘Building more homes’ 1st Report of Session 2016–17 (15 July 2016) House of Lords Select Committee on Economic Affairs (HL Paper 20) - <http://www.publications.parliament.uk/pa/ld201617/ldselect/ldeconaf/20/20.pdf>

- 11 At 300,000 dwellings per annum, this represents a **39.5%** uplift on the 2014-based household projection equivalent, and although at the upper end of the range identified by HMT, the qualification within the report suggests it would be the figure necessary to keep the affordability ratio constant.

Redfern Review

- 12 The Redfern Review¹⁹ was an independent review of the causes of falling home ownership, and associated housing market challenges. Published in November 2016, it was informed by a housing market model and built by Oxford Economics which looked at the impacts of different supply assumptions on prices and home ownership. The review ultimately concludes (para 33):

“...looking forward, if the number of households in the UK were to grow at around 200,000 per year, new supply of 300,000 dwellings per year over a decade would be expected to cut house price inflation by around 5 percentage points (0.5 percentage points a year)... In other words boosting housing supply will have a material impact on house prices, but only if sustained over a long period.”

- 13 The accompanying report by Oxford Economics²⁰ identifies that *“To put downward pressure on prices new supply would need to outstrip underlying household formation”*. It actually models a boost in housing supply of 100,000 above their baseline forecast of 210,000 dwellings per annum, concluding that 310,000 dpa *“helps to keep prices in check”* up to 2026, albeit still rising marginally. Although no corresponding analysis is presented on the affordability ratio (i.e. accounting for changes in income over that period), the adoption of 310,000 dpa as a figure to keep prices in check would represent a **44.2%** uplift over the demographic baseline suggested by the 2014-based projections. A lower percentage would be sufficient to hold affordability constant if household incomes increased in a corresponding manner.

¹⁹ ‘The Redfern Review into the decline of home ownership’ (16 November 2016) - http://www.redfernreview.org/wp-content/uploads/2016/01/TWo82_RR_online_PDF.pdf

²⁰ ‘Forecasting UK house prices and home ownership’ (November 2016) Oxford Economics - <http://www.redfernreview.org/wp-content/uploads/2016/11/20161114-Redfern-Review-modelling-paper.pdf>

Appendix 3: Lichfields Affordability Modelling (OBR/University of Reading)

The Office for Budget Responsibility (OBR) produced Working paper No.6 Forecasting house prices in July 2014²¹. The report identifies the following with regards to future average earnings growth and median house price growth (the components of an affordability ratio) in paragraph 3.12:

“Using some long-run assumptions for real income growth (2.2 per cent a year, including growth in the number of households of 1 per cent a year) and housing supply (keeping pace with the number of households), and assuming the housing discount rate and wage share variable are stationary, the model predicts around 3.3 per cent real house price growth a year in steady state. In addition, assuming consumer price inflation in line with the Bank of England’s 2 per cent target implies 5.3 per cent a year nominal house price growth in steady state.”

The University of Reading's affordability model, as set out previously, found a high price elasticity (-2.0) in relation to increases in stock at regional level in England, implying in effect that for every 1% increase in supply, relative prices would be expected to fall by 2%. For every 1% increase in wages, the elasticity (2.0) meant houses prices would increase by 2%.

There has been some significant degree of economic change since July 2014. Updating the model to account for the OBR’s March 2017 economic outlook²² would indicate average house price growth of 4.8% per annum and average wage growth of 3.7% per annum over the period to 2022 (the horizon of OBR’s economic outlook). As part of previous representations to the Regulation 18 Plan:MK consultation Lichfields applied these assumptions to Milton Keynes over the plan period to 2031²³. Below, we provide additional analysis to test the use of the elasticities based on what has actually happened in Milton Keynes historically, and present further affordability modelling to show the impact of different scales of housing growth on affordability under different wage growth scenarios.

Applying the University of Reading model’s principles to what occurred in reality

In order to explore the reliability of the affordability modelling we have applied some of the historic household growth, income and stock growth variables to the University of Reading’s empirically-based principles. Based on the relevant elasticities²⁴ we can see what these would have simulated for house prices and the affordability ratio, and compare these estimates with what occurred. Earnings and stock growth can be based on recorded data (ONS / MHCLG) and we have applied the Milton Keynes household figures from the 2014-based household projections, albeit recognising that it can be constrained by dwelling supply, so the figures for 2015, 2016 and 2017 will be the projected number for the Borough.

²¹ ‘Working paper No.6: Forecasting house prices’ (July 2014) Office for Budgetary Responsibility, Toby Auterson - http://budgetresponsibility.org.uk/docs/dlm_uploads/WPO6-final-v2.pdf

²² Economic and fiscal outlook (March 2017) Office for Budgetary Responsibility - <http://cdn.budgetresponsibility.org.uk/March2017EFO-231.pdf>

²³ Para 2.29 and Appendix 2 of “Objectively Assessed Housing Need – Milton Keynes”, appended to Milton Keynes East Draft Plan:MK Consultation (March - June 2017) Representations on behalf of Berkeley Strategic Land Limited, June 2017

²⁴ 2.0 for household growth, -2.0 for dwelling stock growth, 2.0 for income growth in line with the University of Reading Model, as explained in <http://webarchive.nationalarchives.gov.uk/20121029114150/http://www.communities.gov.uk/documents/507390/pdf/1345079.pdf>

This exercise is necessarily a simulation/illustration, but serves to test the general approach in this type of analysis at a local level. The results in Table 4 show that the simulated estimate of prices and the affordability ratio is within 3% of the outcome in 2017, with estimated (modelled) prices of £258,706 compared to actual prices of £265,000. In other words, the elasticities, when applied to Milton Keynes-specific variables to generate a house price figure (and affordability ratio) produced a strikingly similar figure to the actual outcome.

Table 4 Applying the OBR elasticities to past house price growth in Milton Keynes

	2006	2017	Increase	Elasticity
Households	£90,952	£108,090	18.8%	37.7%
Dwellings	£93,320	£109,970	17.8%	-35.7%
Wages (median, workplace)	£23,966	£30,646	27.9%	55.7%
Combined effect on prices				57.7%
	2006	2017	Affordability ratio (2017)	
House prices (modelled)	£164,000	£258,706	8.4	~
House prices (actual)	£164,000	£265,000	8.6	~

Source: Lichfields based on DCLG/ONS

Using the model to test the affordability implications using various wage growth assumptions

To assess the impact different scenarios of wage growth would have on house prices and affordability, the below tests rates of wage growth are 1%, 2% or 3% growth per annum – in other words they are not dependent on national or local forecasts of wage-growth from the OBR or any other party. For the purposes of this analysis, lower quartile workplace-based affordability has been presented. The position as at 2016 (the start of the plan period) is shown in Table 5.

Table 5 Lower Quartile Affordability Position - 2016

	Baseline (2016)
Lower Quartile Workplace AR	8.4
LQ Prices	£190,000
LQ Wages	£22,618
Stock (2016)	108,981

Source: Lichfields based on DCLG/ONS

The analysis (Table 6) shows that if dwelling stock increased in line with household growth (1,461 households per annum, 1,512 dpa) affordability would worsen from 8.4 in 2016 to 10.4 in 2031 (assuming 1% per annum wage growth), or up to 12.8 (assuming 3% pa wage growth). This should be seen in the context that average wage growth rate since 2001 has been 2.6% per annum.

If the number of dwellings increased by the number needed by the SHMA to accommodate the economic-led scenario (1,766 dpa), and all the uplift from the baseline position (1,461 households pa/1,512 dpa) were filled by in-migrating households, i.e. there would be growth of 1,706 households per annum, the affordability outcomes in 2031 would effectively be the same as under the baseline household projections scenario, because there are no 'additional'

dwellings. This highlights the issues with the uplift made by the SHMA to the baseline demographic position for jobs and market signals. If the uplift for market signals is entirely filled by in-migrating households moving to Milton Keynes because of employment, there will be no additional housing in order to improve affordability. To test this, we have modelled the employment growth housing need with uplifts of 15% and 20% for market signals. In the modelling, the households in 2031 are a fixed input to the affordability model (to assess the impact of the 'additional dwellings' on price); however in reality, the household numbers would expand to reflect that increased affordability arising from a sufficient scale of uplift would induce additional household formation (not just for the 25-34 age group).

This shows that around a 20% (or slightly higher) uplift to the employment-led scenario could be expected to keep affordability close to its 2016 level over the plan period, although this would be on the assumption that wage growth slows in Milton Keynes compared to historic rates. Clearly if wage growth continued at the current rate a greater supply response would be needed to maintain affordability at its current level.

None of this is to say this is a precise impact, but it illustrates that there is clear justification for applying some uplift for market signals in addition to the economic-led uplift because if the uplift for employment is filled entirely by in-migration households there will not be any truly 'additional' housing to induce household formation and improve affordability.

Table 6 Outcomes of Affordability Modelling - Alternative Wage Growth Assumptions

Baseline household projections					
	2016	Increase (15 years)	2031	Increase (%)	Increase with elasticity (%)
Households	106,505	1,461	128,420	21%	41%
Dwellings	108,981	1,512	131,667	21%	-42%
Wages (1%)	£22,618	£3,641	£26,259	16%	32%
Wages (2%)	£22,618	£7,823	£30,441	35%	69%
Wages (3%)	£22,618	£12,620	£35,238	56%	112%
Combined effect on prices	2016 Price	2031 Price	2031 Affordability Ratio		
Wages (1%)	£190,000	£250,255	9.5		
Wages (2%)		£320,517	10.5		
Wages (3%)		£401,115	11.4		
SHMA Economic Growth					
	2016	Increase (15 years)	2031	Increase (%)	Increase with elasticity (%)
Households	106,505	1,706	132,094	24%	48%
Dwellings	108,981	1,766	135,471	24%	-49%
Wages (1%)	£22,618	£3,641	£26,259	16%	32%
Wages (2%)	£22,618	£7,823	£30,441	35%	69%
Wages (3%)	£22,618	£12,620	£35,238	56%	112%
Combined effect on prices	2016 Price	2031 Price	2031 Affordability Ratio		
Wages (1%)	£190,000	£250,102	9.5		
Wages (2%)		£320,364	10.5		
Wages (3%)		£400,961	11.4		
SHMA Economic Growth plus further 15% market signals uplift					
	2016	Increase (15 years)	2031	Increase (%)	Increase with elasticity (%)
Households	106,505	1,706	132,095	24%	48%
Dwellings	108,981	2,031	139,445	28%	-56%
Wages (1%)	£22,618	£3,641	£26,259	16%	32%
Wages (2%)	£22,618	£7,823	£30,441	35%	69%
Wages (3%)	£22,618	£12,620	£35,238	56%	112%
Combined effect on prices	2016 Price	2031 Price	2031 Affordability Ratio		
Wages (1%)	£190,000	£236,249	9.0		
Wages (2%)		£306,511	10.1		
Wages (3%)		£387,109	11.0		
SHMA Economic Growth plus further 20% market signals uplift					
	2016	Increase (15 years)	2031	Increase (%)	Increase with elasticity (%)
Households	106,505	1,706	132,095	24%	48%
Dwellings	108,981	2,119	140,769	29%	-58%
Wages (1%)	£22,618	£3,641	£26,259	16%	32%
Wages (2%)	£22,618	£7,823	£30,441	35%	69%
Wages (3%)	£22,618	£12,620	£35,238	56%	112%
Combined effect on prices	2016 Price	2031 Price	2031 Affordability Ratio		
Wages (1%)	£190,000	£231,631	8.8		
Wages (2%)		£301,893	9.9		
Wages (3%)		£382,491	10.9		