Plan:MK Examination

Further Written Statement
submitted on behalf of Gallagher Estates Limited
(ID: 1149194)

**Matter 3: The Overall Need and Requirement for Housing.
The Strategy and Land Supply to Meet the Requirement.
(Principally Policy DS2 and Table 4.3)**

June 2018

BARTON WILLMORE
PLANNING / DESIGN / DELIVERY

Plan:MK Examination

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Project Ref:	26057/P6/A5	26057/P6/A5
Status:	Draft	Final
Issue/Rev:	-	a
Date:	20th June 2018	22nd June 2018
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Ref: 26057/P6a/A5/MK/dw

Date: 22nd June 2018

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APPENDICES

1.0 INTRODUCTION

1.1 This written statement is submitted on behalf of Gallagher Estates Limited in response to Matter 3 relating to the overall need, requirement and strategy for housing which is principally addressed in Policy SD2 and Table 4.3 in Plan:MK.

1.2 This statement supplements the representations we submitted at the regulation 19 consultation stage on behalf of Gallagher Estates, relating to Land at North Milton Keynes (NMK), an omission site which was considered as an alternative option to the Milton Keynes East (MKE) strategic allocation.

1.3 On behalf of Gallagher Estates, we have submitted written statements to Matters 1, 2, 3 and 5.

1.4 We look forward to participating in the examination hearings and assisting the Inspector with his assessment of the plan's soundness and legal compliance.

2.0 MAIN MATTER 3: OVERALL NEED, REQUIREMENT AND STRATEGY FOR HOUSING

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?

3.1.1 The MK Futures 2050 report provides a realistic and "firm foundation" for considering options for alternative higher housing numbers through Plan:MK. We have addressed this in our Regulation 19 stage response and do not repeat our previous representations.

3.1.2 The NIC report provides a clear 'direction of travel' for the level of growth which will potentially need to be pursued by the Council in contributing towards the wider Growth Arc strategy. This could involve, as the name suggests, a much high level of growth than either is currently proposed in Plan:MK or the housing requirement we recommend based upon our assessment of OAN, as set out below.

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?

3.2.1 In our view, the MK Futures 2050 report cannot be regarded as evidence of an objectively assessed housing need (1). However, the level of housing provision which is advocated in the report has been informed by such evidence.

3.2.2 On this basis, and having regard to its intended purpose, the MK Futures 2050 report is a relevant material consideration which should in our view be afforded significant weight. Its preparation was expressly to support the preparation of Plan:MK represents an important policy objective for growth that should have informed a higher housing requirement 'now' – not a longer term strategy associated with the even higher transformational growth envisaged by the NIC.

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?

3.3.1 No 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?

3.4.1 No. We consider the Council's February 2017 SHMA (MK/HOU/005) underestimates OAN for Milton Keynes (MK). **Appendix 1** to this statement provides a review and critique of the Council's February 2017 SHMA (MK/HOU/005). We summarise the points made in our responses here.

Demographic assumptions (see section 3 of BW Appendix 1 for detail)

3.4.2 MK/HOU/005 correctly identifies the starting point for estimating OAN as DCLG's 2014-based household projections. These project growth of 1,461 households per annum in MK, 2016-2031. MK/HOU/005 presents this as being equivalent to **1,513 dwellings per annum** (dpa, 2016-2031).

3.4.3 Notwithstanding the 2014-based ONS Sub National Population Projections (SNPP) underpinning the starting point estimate, we recommend a 10-year migration trend for determining demographic-led OAN, in line with MK/HOU/005 resulting in **1,596 dpa**.

3.4.4 It is unknown which demographic modelling approach the SHMA has used to produce the 10-year migration trend (fixed counts or rates). Further sensitivity testing is required to determine whether the SHMA's analysis of the 10-year migration trend is robust. Notwithstanding this the SHMA's analysis of the 10-year migration trend appears sound.

3.4.5 However, the SHMA's analysis of **Household Formation Rates (HFRs),** past and projected, is non-existent and the 2014-based HFRs are adopted without scrutiny because they are assumed to *"reflect real demographic trends, and therefore we should not adjust these further"*[1].

3.4.6 In contrast to MK/HOU/005's HFRs conclusion, BW's analysis[2] of HFRs for 25-34 and 35-44 year olds in MK was evidently suppressed and declining prior to the 2011 Census, which is unsurprising in light of worsening housing affordability in MK. The projected worsening of that trend, in the context of severe affordability constraints (Figure 3.2 of Appendix 1) is indicative of engrained HFR suppression and should be addressed through the OAN, in line with PPG.[3]

3.4.7 MK/HOU/005 does make an adjustment for concealed families and homeless households[4] and presents this as part of the **10% market signals** uplift applied to the baseline household projection (1,596 dpa). However, BW consider that the market signals and HFR adjustments should not be conflated. Furthermore, 10% is not considered to be soundly based as we detail below.

Market Signals and Affordability (see section 6 of BW Appendix 1 for detail)

3.4.8 Section 6 of BW Appendix 1 reviews this issue in detail. In summary, MK/HOU/005 applies a **10% adjustment** on the basis of the market signals uplift applied in Eastleigh.[5] BW do not consider this is an appropriate basis to establish a market signals uplift. It is in arbitrary adjustment and no evidence is submitted to show how this would improve affordability in line with the requirement of PPG ID2a-020.

[1] paragraph 2.59, page 35, MK/HOU/005
[2] paragraph 3.16-3.29, Appendix 1
[3] PPG, ID2a-015-017
[4] Figure 58, page 81, MK/HOU/005
[5] Paragraph 41, page 12, Eastleigh Borough Local Plan, Inspector's Report February 2015

3.4.9 The Eastleigh decision is over three years old and was the first to quantify an adjustment to address worsening market signals. In the intervening period, alternative methods for how the adjustment is calculated have been developed; Planning Inspectorate decisions have adjusted up to 25%; and Government has published its own method as part of the proposed standard method for establishing local housing need.

3.4.10 BW's Appendix 1 details these alternative methods[6] and concludes the upward adjustment to the starting point estimate (1,513 dpa) would lead to market signals led OAN of **between 1,846 and 2,791 dpa (22% to 84.5%)**. It should be noted that 5 of the 6 methods considered in Appendix 1 show a much closer range (**1,846 – 2,181 dpa**).

3.4.11 It is important to note new affordability ratios were published in Spring 2018. For MK, a significant increase is evident in the past year, from a median affordability ratio of 7.63 to 8.65; a **13.4% increase** in a single year. In comparison, neighbouring authorities Aylesbury Vale (1.7%), South Northamptonshire (-3.9%), Central Bedfordshire (0%), Luton (2.6%), and Bedford (9.1%) had lower increases, or even a decline. This highlights affordability constraints in MK.

3.4.12 It should be noted the proposed standard method would require a **29% uplift** for affordability, based on the 2017 median affordability ratio (8.65). This would increase the minimum local housing need in MK to **1,934 dpa**. Although the standard method is yet to be formally adopted, the approach is a method endorsed by Government and should be considered to add weight to the range determined in Appendix 1.

3.4.13 In summary, a variety of methods points to a requirement to increase housing need to **between 1,850 and 2,180 dpa** to address affordability constraints.

Employment assumptions (see section 4 of BW Appendix 1 for detail)

3.4.14 Use of the OBR economic activity rates is supported by BW.

[6] paragraph 6.29-6.47, Appendix 1

Commuting

3.4.15 On the face of it, the commuting assumption (2011 Census ratio) is considered sound and the figures quoted in the SHMA are correct. Figure 1 of our **Appendix 2** confirms this. However, on further investigation since we produced Appendix 1, it appears that the percentages in paragraph 4.34 of the SHMA have not been applied consistently over the projection period.

3.4.16 Whilst the SHMA holds the in-commuting rates constant in all forecasting scenarios (assuming 69% of people working MK also live in MK), the SHMA authors disregard the increase in the number of workers commuting out of MK between their demographic-led and economic-led OAN. Instead, the SHMA holds out-commuting numbers constant (at 4,668 people) and as a result this changes the 2011 Census commuting ratio from 0.89 to 0.86 (Figure 1, BW **Appendix 2** confirms the 2011 Census ratio (0.89); Figure 4 shows how the SHMA approach reduces this to 0.86). The SHMA's reduction in the commuting ratio from 0.89 to 0.86 implies a greater reliance on workers who live outside of MK, which in turn reduces housing need in MK.

3.4.17 If the percentages were held constant, the number of people commuting out from MK would increase from 4,668 (demographic scenario) to 5,364 people based on the EEFM forecast (27,516 jobs, 2016-2031). Notwithstanding this inconsistency point, the number of workers required to support job growth in the SHMA (18,986 people) would not be significantly different; BW calculate the figure would increase from 18,986 to 19,043 people (Figure 2, **Appendix 2**).

Double Jobbing

3.4.18 In addition to the point above, we also note how the SHMA assumes the 2016 EEFM 'double-jobbing' assumption (13.8%, the difference between jobs (31,900) and the number of workplace employed people, 27,500, quoted in paragraph 4.33 of the SHMA). This compares with ONS' *'Reconciliation of estimates of jobs data'* (June 2018), which shows a 2.5% UK average.[7] This data is recorded quarterly by ONS. It should be noted how the highest since March 2012 has been 3.5%. An assumption of 13.8% appears to be high and there is a risk that if double jobbing is lower than the EEFM assumption, OAN could be significantly underestimated.

[7] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/reconciliationofestimatesofjobs/june2018

3.4.19 In this context, a double-jobbing assumption of 3.5% applied to 2016 EEFM job growth (31,900) would require 30,784 workers; significantly higher than the 27,500 calculated in the SHMA. Combining the double jobbing assumption of 3.5% with a consistent approach to the 2011 Census ratio (see above) would result in 21,304 extra local workers being required to balance with jobs (not 18,986 quoted in Figure 44 of the SHMA) (Figure 3, BW **Appendix 2**). This would lead to a shortfall of 4,756 local workers, almost double the 2,438 people referred to in the SHMA (Figure 44). It follows that the 1,739 additional homes quoted in Figure 44 would therefore also double to approximately 3,500 additional homes, leading to OAN of **28,250 dwellings, 2016-2031.** This does not take account of HFR adjustment or the National Infrastructure Commission (NIC) aspirations for the Cambridge-Milton Keynes-Oxford arc (see below), which has the potential to increase OAN for MK further.

Number of Jobs

3.4.20 We also consider the assumed number of jobs could be informed by more robust data. MK/HOU/005 assumes the 2016 EEFM job growth over the Plan period (2,127 jobs per annum – jpa). However, this is the only source referred to. Forecasting houses (Experian, Oxford, and Cambridge Economics) are not consulted. The consideration of these forecasting houses alongside that of the 2016 EEFM would provide a more robust approach. The approach of considering a range of forecasts, rather than a single source, was endorsed by the South Worcestershire Local Plan Inspector.[8]

3.4.21 Furthermore PPG (ID2a-018) requires plan makers to assess the likely change in job numbers based on **past trends and/or economic forecasts**. MK/HOU/005 gives no consideration to past employment trends in MK which we consider a further weakness.

3.4.22 Reference to past trends from the 2016 EEFM shows average job growth from 2001-2016 of **2,953 jpa**, significantly higher than the 2016 EEFM forecast (2,127 jpa). Furthermore, with reference to the first six years of the adopted Core Strategy's Plan period (2010-2016), the Annual Population Survey (APS) produced by the Office for National Statistics (ONS) states that there was growth of 18,300 jobs, a rate of **3,050 jpa**. This suggests the assumption of 2,127 jpa underpinning the OAN in MK/HOU/005 should be reviewed, and further sensitivity testing is required based on historic job growth.

[8] Paragraph 11, page 3, Stage 1 of the Examination of the South Worcestershire Development Plan, Inspector's Further Interim Conclusions on the Outstanding Stage 1 Matters, 31 March 2014

National Infrastructure Commission (NIC) Cambridge-Milton Keynes-Oxford Arc

3.4.23 A further imperative consideration in respect of economic growth is NIC aspirations for the Cambridge-Milton Keynes-Oxford arc, as set out in *'Partnering for Prosperity: a new deal for the Cambridge-Milton Keynes-Oxford Arc'* (November 2017). This is considered in detail in Appendix 1 (section 5).

3.4.24 The NIC state how the arc must be made a 'national priority' and how its *"world-class research, innovation and technology can help the UK prosper in a changing global economy."* The Commission's central finding is that *"rates of house building will need to double if the arc is to achieve its economic potential."*

3.4.25 The NIC therefore states how the Milton Keynes component of the arc (the central area) which incorporates the local authority areas of Milton Keynes, Aylesbury Vale, Central Bedfordshire, Luton, and Bedford, shows current known planned development equating to 60,000 dwellings. An additional 240,000 dwellings would be needed to meet the corridor-level housing need figure, and a further 72,000 dwellings required to reflect pressure from land constrained markets.

3.4.26 Furthermore, the NIC document confirms that **3,000 jobs per annum** will be required in MK between 2014 and 2025 in order to realise growth aspirations (**3,800 per annum** between 2014 and 2050). The lower end of this range aligns with the historic level of job growth we have identified through our analysis of past trends.

3.4.27 Housing growth to support at least 3,000 jobs per annum appears a reasonable assumption to make for the purposes of OAN, and sensitivity testing should be undertaken to determine what the OAN would be to meet this target.

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

3.4.28 No; see response to question 3.4 i).

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

3.4.29 No comment.

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?

3.5.1 No sensitivity testing has been undertaken in the SHMA. Furthermore, the SHMA's discussion of this topic (paragraphs 2.53-2.59) is in respect of all ages combined. No specific discussion of the 25-34 and 35-44 age groups – widely regarded to be those age groups for which an adjustment is necessary, as set out in the February 2017 Housing White Paper[9] – is made.

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?

3.6.1 No. See our response to question 3.4 and detailed analysis set out in section 6 of Appendix 1. The 10% uplift is considered too simplistic, based on a comparison with Eastleigh which is located approximately 100 miles away.

3.6.2 Furthermore, Table 1 (below) summarises change in the two issues set out in Q3.6, for SHMA's comparator areas, and Eastleigh. This updated evidence shows a clearly worsening picture in MK when compared with all areas. This clearly suggests a 10% increase would be inadequate. The proposed standard method increase of 29% in MK should be considered in this regard.

Table 1: Affordability Ratios and House Prices: areas assessed in the SHMA, 1997-2017

	Affordability Ratio			House Prices	
	Lower Quartile	Median		Lower Quartile	Median
MK	6.13 (189%)	5.49 (174%)		£163,000 (388%)	£207,500 (361%)
Northampton	5.25 (166%)	4.23 (136%)		£114,600 (298%)	£140,000 (280%)
Peterborough	4.41 (153%)	3.82 (135%)		£97,995 (288%)	£125,000 (278%)
Swindon	4.42 (138%)	3.98 (132%)		£119,505 (266%)	£153,550 (265%)
Eastleigh	6.03 (135%)	5.41 (128%)		£171,175 (318%)	£213,000 (318%)
England	3.69 (103%)	4.37 (123%)		£107,000 (249%)	£170,000 (283%)

Source: ONS

[9] Paragraphs 2-3, page 10, Fixing our broken housing market, February 2017

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 2a018 should the SHMA give consideration to other models and/or past employment trends?

3.7.1 As set out in response paragraphs 3.4.14 to 3.4.18 above, the 2016 EEFM is considered to represent one of a number of sources. However, for the reasons set out above BW consider there to be weaknesses inherent in the EEFM and the subsequent assumptions made by the SHMA. Other robust sources should be consulted to provide a more robust assumption of future growth. Historic job growth (past trends) should also be considered, particularly as the EEFM has recorded a significantly higher level of job growth in MK than its forecast predicts.

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

(i) Commuting ratios;

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

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

3.8.1 This is discussed in detail in section 4 of Appendix 1 to this statement; and summarised in our response to question 3.4 above.

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) that it is an integrated model that should not be subjected to "alternative estimates"?

3.9.1 The April 2017 EEFM advice note advising against using alternative assumptions is largely drawn from 2015 Planning Advisory Service (PAS) guidance by Peter Brett Associates (PBA). At the outset it should be noted that PAS guidance is not adopted, nor was it consulted on when published. It is one planning consultant's view and is over three years old.

3.9.2 In respect of the issue concerning alternative assumptions for inputs such as economic activity, as used in the SHMA, this is a common approach used by local authorities and planning consultants alike. It has been endorsed by a number of Planning Inspectorate decisions (section 78 appeals/Local Plan examinations) and High Court Judgments.

3.9.3 The most applicable to MK is the Boreham Judgment. [10] In this case, EEFM forecasts were used (as is the case here) for job growth. However, the Appellant used alternative sources of economic activity considered to be more plausible and realistic than the EEFM's. The Inspector in the section 78 appeal agreed with the Appellant's view, and the decision was upheld in the High Court. In concluding the Judge stated *"It was not irrational for the Inspector to conclude, bearing in mind the consistency of the OBR, EU and KCC rates as being significantly above those used by EEFM (albeit markedly above those previously used by EEFM), that the interested party's rates were more plausible and more realistic."*

3.9.4 This highlights the EEFM advice note conclusions have been contradicted by Planning Inspectorate decisions and High Court Judgments.

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 jo*****bs per dwelling calculated?***

3.10.1 No 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?

3.11.1 No; for the reasons set out in Appendix 1 (section 4) and summarised in response to question 3.4 (above) BW consider that the number of homes required to support economic growth could be too cautious, and further sensitivity testing is required.

[10] Neutral Citation Number: [2016] EWHC 3329 (QB), Case No: CO/3241/2016, between Chelmsford City Council and Secretary of State for Communities and Local Government/Gladman Developments, 21 December 2016

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"?

3.12.1 No comment.

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

3.13.1 Please refer to our response to Matter 1.

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?

3.14.1 No. There are no constraints to development that indicate that a higher housing requirement should not have been considered, if only as a reasonable alternative (see our response to Matter 1).

3.14.2 Furthermore, as we set out below, we consider the housing requirement should be a minimum of 30,000 additional dwellings over the plan period 2016-2031 (at least 2,000 dpa).

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'?

3.15.1 No.

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?]

3.17.1 Please refer to our response to Matter 1.

Conclusion on Housing Requirement

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

3.25.1 Documents MK/SUB/005 and MK/SUB/006 consider eight options which range from a 4% to a 15% increase in the SHMA's OAN (26,500 dwellings). All exceed the SHMA's OAN, and range from 27,580 to 30,580 dwellings. All are considered as *"reasonable spatial strategy alternatives"* by the Council, and exclude four higher figures than 30,580 dwellings considered as *"unreasonable."* It can therefore be concluded that the Council agree that up to 30,580 dwellings could be delivered during the proposed Plan period.

3.25.2 BW's OAN review and critique (Appendix 1) does not include bespoke demographic modelling scenarios to establish an alternative OAN. **Appendix 1** identifies the weaknesses inherent in the OAN determined by the SHMA, and makes recommendations as to how the OAN may be adjusted. Notwithstanding this, **Appendix 1** to this statement identifies a market signals led OAN range of between 27,690 and 32,715 dwellings. A figure sitting mid-range would be approximately 30,000 dwellings, 2016-2031, in line with the upper end figures tested in MK/SUB/005 and MK/SUB/006.

3.25.3 This should be considered in the context of representations made by Lichfields on behalf of Berkeley Strategic (19 December 2017) which concluded that *"to meet its fair share of the local needs of the Cambridge-Milton Keynes-Oxford Arc, Milton Keynes could need to deliver in the order of 30,000 dwellings over the same period. To meet local needs & pressures from land constrained markets the need could increase further to 37,500 dwellings."* In addition, bespoke demographic modelling incorporated in Bidwells representations (June 2017) concluded the OAN for MK to be 34,370 dwellings.

3.25.4 On this basis, we conclude that the housing requirement in Plan:MK should be **a minimum of 30,000 dwellings over the plan period 2016-2031 (at least 2,000 dpa)**.

APPENDIX 1

MILTON KEYNES

Housing Need Technical Review

December 2017

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BARTON WILLMORE
PLANNING / DESIGN / DELIVERY

MILTON KEYNES

HOUSING NEED TECHNICAL REVIEW

December 2017

Project Ref:	27589/A5
Status:	FINAL
Issue/Rev:	01
Date:	12/17
Prepared by:	DM/DU
Checked by:	DU/JD
Authorised by:	JD

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Ref: 27589/A5/DM/DU/kf
Date: December 2017

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APPENDICES

1.0 INTRODUCTION

1.1 This report has been prepared by Barton Willmore LLP's National Research Team on behalf of Gladman Developments Ltd. The report provides a review, critique, and evaluation of Milton Keynes Council's most recent evidence in respect of the objective assessment of housing need (OAHN), in order to support representations to the October 2017 Proposed Submission Plan:MK (published for consultation until 20 December 2017). The report provided here represents an update to the May 2017 report produced by Barton Willmore, in order to consider factors affecting the OAHN that have arisen in the interim period.

1.2 At the time of writing the most recent OAHN evidence available from the Council is the 'Milton Keynes Strategic Housing Market Assessment 2016-2031' produced by Opinion Research Services (ORS) and published in February 2017. The SHMA concludes that the OAHN for Milton Keynes is 26,493 over the period 2016-2031, which equates to an additional 1,766 dwellings per annum. This is the level of housing the new development strategy for Milton Keynes (Plan:MK) is planning to provide.

1.3 In this context, the purpose of this report is to review the February 2017 SHMA to determine whether 26,493 dwellings (2016-2031) does reflect full OAHN for Milton Keynes. We review the SHMA in the context of the policies of the National Planning Policy Framework (NPPF) and the NPPF's accompanying Planning Practice Guidance (PPG). Specifically, section ID2a of the PPG – 'Housing and Economic Development Needs Assessments' (HEDNA) – which sets out the recommended methodology to be followed in calculating the OAHN. This report reviews the SHMA in the context of the stepped approach prescribed by the PPG's HEDNA methodology.

1.4 At the outset, it is important to note that the SHMA does not contain any analysis to identify the appropriate functional housing market area (HMA) to which Milton Keynes belongs. Reference is made in the SHMA's introduction (Chapter 1) to previous work by ORS in December 2015 'Identifying Housing Market Areas in Bedfordshire and Surrounding Areas' concluding that on a 'best-fit' basis Milton Keynes is a functional HMA in isolation from any other authorities (SHMA, paragraph 1.16). In this context the SHMA only assesses OAHN for Milton Keynes.

1.5 The scope of the report presented by Barton Willmore here does not include a review of the HMA definition adopted by the SHMA; we do not therefore endorse the determination of Milton Keynes as representing a standalone HMA and this should be assessed under separate cover. The scope of this report is to address the approach to determining the OAHN for Milton Keynes in the SHMA and to assess if this follows the steps outlined from paragraphs 15-20 of the PPG's HEDNA. We therefore reserve the right to challenge the HMA definition set out in the SHMA.

1.6 This review is structured as follows:

1.7 **Chapter 2** examines the approach to establishing OAHN required by the NPPF and PPG. A summary of proposed changes set out in the recent Housing White Paper (February 2017) are also presented;

1.8 **Chapter 3** addresses the demographic projections presented in the Council's evidence base, specifically the population projections and their conversion into household projections;

1.9 **Chapter 4** addresses the approach and results reported in the Council's evidence base concerning the number of homes needed to support future jobs growth in Milton Keynes. Specifically, this chapter considers the number of jobs that the evidence base suggests the OAHN should be underpinned by and how that number of jobs is converted into homes;

1.10 **Chapter 5** considers the Government's longer term national infrastructure vision for Milton Keynes as part of the Cambridge-Milton Keynes-Oxford Arc Growth study;

1.11 **Chapter 6** examines the market signals evidence presented in the Council's evidence, paying particular attention to affordability, and appraises the conclusions regarding market signals (worsening or not) and the proposed response. An alternative to the conclusions and response to market signals by the Council's evidence is presented alongside an explanation as to why it should be preferred.

1.12 Finally, **Chapter 7** summarises the main findings of this review and presents overall conclusions on whether there is the potential for an increase to the Council's existing OAHN;

1.13 **Appendix 1** summarises the proposed standard method for calculating local housing need, as published in DCLG's 'Planning for the right homes in the right places' consultation;

1.14 **Appendix 2** presents the affordability calculator for Milton Keynes demonstrating the number of dwellings required per annum to keep the exiting 2016 median affordability ratio constant to the end of the Plan:MK plan period.

2.0 THE APPROACH TO ASSESSING HOUSING NEED

2.1 This chapter summarises the national planning policy rationale and practice guidance for objectively assessing housing need.

i) National Planning Policy Framework (NPPF, 27 March 2012)

2.2 NPPF sets out the Government's planning policies for England and how these are expected to be applied. NPPF states that planning should proactively drive and support sustainable economic development to deliver the homes that the country needs, and that every effort should be made to objectively identify and then meet housing needs, taking account of market signals (paragraph 17).

2.3 In respect of delivering a wide choice of high quality homes, NPPF confirms the need for local authorities to boost significantly the supply of housing. To do so, it states that local authorities 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 (paragraph 47).

2.4 With regard to plan-making, local planning authorities are directed to set out strategic priorities for their area in the Local Plan, including policies to deliver the homes and jobs needed in the area (paragraph 156).

2.5 Further, Local Plans are to be based on adequate, up to date and relevant evidence, integrating assessments of and strategies for housing and employment uses, taking full account of relevant market and economic signals (paragraph 158).

2.6 For plan-making purposes, local planning authorities are required to clearly understand housing needs in their area. To do so they should prepare a Strategic Housing Market Assessment (SHMA) that identifies the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period (paragraph 159).

ii) Planning Practice Guidance (PPG, 06 March 2014)

2.7 PPG was issued as a web based resource on 6th March 2014. The Housing and Economic Development Needs Assessments (HEDNA) section of the PPG (ID2a) is intended to provide guidance to local planning authorities on how to determine the full OAHN and present it in a SHMA as required by paragraph 159 of the NPPF.

2.8 The PPG's HEDNA section confirms that the OAHN must be an objective assessment based on facts and unbiased evidence, and that constraints should not be applied to the OAHN (ID2a, paragraph 4). The OAHN should be 'policy off', and use of the PPG methodology for assessing OAHN is strongly recommended, to ensure that the assessment is transparent (ID2a, paragraph 5).

2.9 The full methodology for establishing the OAHN and affordable housing is set out in paragraphs ID2a-014 to 029 of the PPG's HEDNA section. However the guidance related to establishing OAHN is set out between paragraphs 15 and 20. In this study an assessment of OAHN and not affordable housing is provided. The relevant paragraphs of PPG predominantly referred to are therefore paragraphs 15-20.

2.10 The PPG HEDNA methodology is summarised as follows:

Step1 - Starting point estimate of need

2.11 The methodology states that the starting point for assessing overall housing need should be the household projections published by the Department for Communities and Local Government, but that they are trends based and may require adjustment to reflect factors, such as unmet or suppressed need, not captured in past trends (ID2a 015).

> **"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."** (2a-015) (Our emphasis)

Step 2 - Adjusting for demographic evidence

2.12 The PPG methodology advises that adjustments to household projection-based estimates of overall housing need should be made on the basis of established sources of robust evidence, such as ONS estimates (2a-017). This includes sensitivity testing for alternative migration trends.

Step 3 - Adjusting for likely change in job numbers

2.13 In addition to taking into account demographic evidence the methodology states that job trends and or forecasts should also be taken into account when assessing overall housing need. The implication is that housing numbers should be increased where this will enable labour force supply to match projected job growth (2a-018).

> **"Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns … and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems."** (2a-018)

Step 4 - Adjusting for market signals

2.14 The final part of the methodology regarding overall housing need is concerned with market signals and their implications for housing supply (2a-019:020).

> **"The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings."** (2a-019)

2.15 Assessment of market signals is a further test intended to inform whether the starting point estimate of overall housing need (the household projections) should be adjusted upwards. Particular attention is given to the issue of affordability (2a-020).

> **"The more significant the affordability constraints … and the stronger other indicators of high demand … the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be."** (2a-020)

Step 5 - Overall housing need

2.16 An objective assessment of overall housing need can be summarised as a test of whether the household projection based starting point can be reconciled with a) the latest demographic evidence, b) the ability to accommodate projected job demand, c) the requirement to address worsening market signals. If it cannot be reconciled, then an adjustment should be made.

2.17 The extent of any adjustment should be based on the extent to which it passes each test. That is:

- It will at least equal the housing need number implied by the latest demographic evidence;
- It will at least accommodate projected job demand; and,
- On reasonable assumptions, it could be expected to improve affordability.

Affordable Housing Need Assessment

2.18 The methodology for assessing affordable housing need is set out at 2a-022 to 029 and is largely unchanged from the methodology it supersedes (SHMA 2007). In summary, total affordable need is estimated by subtracting total available stock from total gross need. Whilst it has no bearing on the assessment of overall housing need, delivering the required number of affordable homes can be used to justify an increase in planned housing supply (2a-029).

> **"The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments … <u>An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes</u>."** (2a-029) (our emphasis)

iii) Housing White Paper – 'Fixing our Broken Housing Market' (February 2017)

2.19 The Housing White Paper was published in February 2017, and acknowledges a **need for 225-275,000 new homes per annum** to keep up with population growth and start to tackle years of under-supply in the country.[1] However, in the November 2017 Autumn Budget the Chancellor Philip Hammond announced plans to build 300,000 homes per year in the country stating:

> **"I'm clear that we need to get to 300,000 units a year if we are going to start to tackle the affordability problem, with the additions coming in areas of high demand."**

2.20 The Housing White Paper acknowledges that one of the main problems leading to significant under-supply of housing has been the failure of local authorities to plan for the homes they need,[2] and consequently the ratio of average house prices to average earnings has more than doubled since 1998. [3]

2.21 In seeking to address these problems, the White Paper states how a 'radical rethink' of the approach to home building is required. This includes the existing approach to establishing the Objectively Assessed Housing Need (OAHN). The White Paper therefore states the following in respect of how the OAHN is proposed to be reformed:

> **"at the moment, some local authorities can duck potentially difficult decisions, because they are free to come up with their own methodology for calculating 'objectively assessed need'. So, we are going to consult on a <u>new standard methodology</u> for calculating**

[1] Paragraph 2, 'Our housing market is broken', page 9, 'Fixing our broken housing market', February 2017
[2] Paragraph 4, 'Our housing market is broken', page 9, 'Fixing our broken housing market', February 2017
[3] Paragraph 5, 'Our housing market is broken', page 9, 'Fixing our broken housing market', February 2017

> **'objectively assessed need', and encourage councils to plan on this basis." [4]**

2.22 The White Paper confirms that Councils will be incentivised to use the new standard approach, although where it is justified, deviation from the standard approach may be acceptable:

> **"We want councils to use the new standardised approach as they produce their plans and will incentivise them to do so. We expect councils that decide not to use the new approach to explain why not and to justify to the Planning Inspectorate the methodology they have adopted in their area." [5]**

2.23 The standardised methodology will therefore provide the 'baseline' OAHN, to which amendments can be made if it is deemed to have been justified. The timescale for the new standardised methodology is confirmed in the White Paper as follows:

> **"To incentivise authorities to get plans in place, in the absence of an up-to-date local or strategic plan we propose that by <u>April 2018</u> the new methodology for calculating objectively assessed requirement would apply as the baseline for assessing five year housing land supply and housing delivery." [6]** (Our emphasis)

2.24 Consultation on the proposed changes took place between September and November 2017. See Appendix 1 of this report for further detail. However, in the interim period the existing OAHN methodology set out in the PPG's Housing and Economic Development Needs Assessment (HEDNA) section is to be followed.

[4] Paragraph 7, 'What we're going to do about it', page 14, 'Fixing our broken housing market', February 2017
[5] Paragraph 1.14, 'Assessing housing requirements', page 23, 'Fixing our broken housing market', February 2017
[6] Paragraph 1.15, 'Assessing housing requirements', page 23, 'Fixing our broken housing market', February 2017

3.0 DEMOGRAPHIC OAHN PRESENTED IN THE COUNCIL'S EVIDENCE

i) Introduction

3.1 Paragraphs ID2a-015 to 017 of the PPG provide the methodological guidance for determining the first stage of the OAHN; demographic-led housing need. This section of the report therefore considers the demographic evidence presented in the Milton Keynes SHMA (February 2017). Consideration is given as to whether the SHMA provides a robust approach to the assumptions underpinning the demographic-led OAHN, and whether there are any weaknesses in the approach.

ii) Starting Point Estimate (Step 1, PPG ID2a-015)

3.2 The PPG (ID2a-015) requires household projections published by the Department for Communities and Local Government (DCLG) to be considered for the starting point estimate of OAHN. The DCLG projections are normally published every two years.

3.3 The SHMA gives consideration to the most recent DCLG household projections (the 2014-based series) published on 12 July 2016. Over the 15-year period 2016-2031, the SHMA correctly refers to growth of 21,922 households (1,461 per annum) in Milton Keynes projected by the 2014-based series.

3.4 The SHMA applies a 3.4% vacancy rate to growth of 1,461 households per annum to convert household growth into dwelling growth. The result is a need for 1,513 dwellings per annum (2016-2031). **A need for 1,513 dwellings per annum is presented as the *starting point estimate of overall housing need'* for Milton Keynes (2016-2031)**.

3.5 It is important to note, that the 2014-based household projections project lower household growth than the previous 2012, 2011 and 2008-based series. The SHMA compares growth projected over the first 10-year period and over the full 25-year period of each projection series. For ease, we have provided a comparison of growth over the SHMA period 2016-2031 in Table 3.1.

Table 3.1: DCLG Household Projections – Milton Keynes

Series	2016	2021	2031		2016-2021 (per annum)	2016-2031 (per annum)
2014-based	106,505	114,347	128,426		7,842 (1,568)	21,921 (1,461)
2012-based	106,673	114,669	129,240		7,996 (1,599)	22,567 (1,504)
2011-based (interim)	107,079	114,734			7,655 (1,531)	
2008-based	109,434	117,676	132,313		8,242 (1,648)	22,879 (1,525)

Source: DCLG

3.6 The SHMA concludes that the differences seen in the household projections *'are largely due to changes in the ONS population projections'*[7]. Although changes to household representative rates are also cited. Both components are discussed below.

iii) Alternative Population Projections (Step 2, PPG ID2a-016/017)

3.7 The SHMA correctly acknowledges that the DCLG household projections are underpinned by the Office for National Statistics (ONS) Sub National Population Projections (SNPP) and for this reason the SHMA analyses growth projected by the most recent 2014-based SNPP series and the previous 2012, 2011 and 2008-based series. Again, for ease, we have provided a comparison of projected population growth over the SHMA period 2016-2031 in Table 3.2.

Table 3.2: ONS Population Projections – Milton Keynes

Series	2016	2021	2031		2016-2021 (per annum)	2016-2031 (per annum)
2014-based	266,361	283,293	310,238		16,932 (3,386)	43,878 (2,925)
2012-based	266,701	284,066	311,502		17,365 (3,473)	44,801 (2,987)
2011-based (interim)	270,569	289,496			18,927 (3,785)	
2008-based	259,200	275,000	300,800		15,800 (3,160)	41,600 (2,773)

Source: ONS

3.8 From Table 3.2 we can conclude that population growth does not directly correlate with household growth, given that the 2008-based SNPP projected lower population growth than the 2014-based SNPP yet the 2008-based household projections projected higher household

[7] ORS, Milton Keynes SHMA 2016-2031, February 2017, paragraph 2.5, page 17

growth than the 2014-based series. This does indicate household formation assumptions are also having an impact. We investigate this in the next section of this chapter.

3.9 Nonetheless, the SHMA acknowledges that the SNPP series are based on short-term trends (typically the last 5-years) and therefore the SHMA states that in-line the PAS OAN Technical Advice Note[8] it has given consideration to a 10-year migration trend scenario. It is not clear from the SHMA whether the 10-year migration trend has been produced using a fixed count of migrants from the period 2005-2015 or whether an average of migration rates from this period has been applied?

3.10 The SHMA favours using the 10-year migration trend scenario as the basis for its analysis on the basis that a longer trend is more likely to capture both highs and lows (paragraph 2.15). It does not undertake any analysis of whether migration to Milton Keynes has been suppressed following the onset of the recession or whether it may have been affected by other local circumstances.

3.11 Nonetheless, the SHMA's 10-year migration trend does result in higher population growth than the 2014-based SNPP (+47,229 people compared to +44,755). It should be noted that whilst population growth from the 2014-based SNPP as presented in the SHMA (Figure 13) results in population growth of +44,755, we calculate population growth projected by the 2014-based SNPP to be +43,878. The difference arises from the use of a different population estimate in the base year (2016). Our analysis takes the 2016 projection directly from the 2014-based SNPP. The source of the SHMA's 2016 population estimate is not stated.

3.12 We agree, that it is appropriate to assess Milton Keynes demographic OAHN on an alternative 10-year migration trend rather than the 2014-based SNPP. Table 3.3 (overleaf) demonstrates that the migration trends underpinning the 2014-based SNPP are suppressed in comparison to migration trends throughout the 2000s.

3.13 As a result, net migration to Milton Keynes averaged 1,238 net migrants per annum in the period underpinning the 2014-based SNPP (2009-2014), whereas over the most recent 10-year period (2006-2016) net migration averaged 1,232 people per annum.

3.14 It is also important to note from Table 3.3 that Unattributable Population Change (UPC) for Milton Keynes is equivalent to 5,810 people (2001-2011). UPC refers to population change that cannot be attributed to a particular component (either natural change or migration). A positive UPC figure means that Milton Keynes population was underestimated throughout 2001-2011 and as a result the population estimates have subsequently been revised upwards. **If**,

[8] Peter Brett Associates on behalf of the Planning Advisory Service (PAS), OAN Technical Advice Note, July 2015

this discrepancy was due to an error in the migration estimates, then there is the potential that Milton Keynes migration trends are in fact higher and therefore the 10-year migration trend could provide a conservative estimate of Milton Keynes future population growth.

3.15 However, due to the uncertainty over the cause of UPC, we consider than an adjustment for UPC should not be made. We understand the SHMA has not made a UPC adjustment.

Table 3.3: Historic components of population change – Milton Keynes

	Natural change	Net Migration	Other changes		Total change
			Total	Of which UPC	
2001/02	1,359	463	532	517	2,354
2002/03	1,526	485	525	513	2,536
2003/04	1,584	-133	473	501	1,924
2004/05	1,612	1,843	486	500	3,941
2005/06	1,877	1,338	548	544	3,763
2006/07	1,978	1,260	570	561	3,808
2007/08	2,080	1,901	611	618	4,592
2008/09	2,226	1,708	619	619	4,553
2009/10	2,340	2,290	642	640	5,272
2010/11	2,337	1,303	805	797	4,445
2011/12	2,357	136	-30	0	2,463
2012/13	2,162	1,141	41	0	3,344
2013/14	2,206	1,322	15	0	3,543
2014/15	1,967	605	-55	0	2,517
2015/16	2,074	653	-10	0	2,717
Total 2001-16	**29,685**	**16,315**	**5,772**	**5,810**	**51,772**
Average 2001/16	**1,979**	**1,088**	**385**	**387**	**3,451**
Average 2007/12	**2,268**	**1,468**	**529**	**535**	**4,265**
Average 2009/14	**2,280**	**1,238**	**295**	**287**	**3,813**
Average 2011/16	**2,153**	**771**	**-8**	**0**	**2,917**
Average 2006/16	**2,173**	**1,232**	**321**	**324**	**3,725**

Source: ONS

iv) Household Formation in Milton Keynes (Step 2, PPG ID2a-015)

3.16 The PPG provides guidance on how the Household Formation Rates (HFRs) underpinning the conversion of population to households should be applied. Paragraph ID2a-015 of the PPG identifies how HFRs published by DCLG are underpinned by past trends alone. They do not

take account of government policy such as the NPPF, and may have been suppressed by under-supply and worsening affordability of housing, factors that have led to an increase in concealed households (i.e. young couples living with parents).

3.17 The housing crisis in the UK has been well documented, and the recent Housing White Paper (February 2017) is clear that the country has not been building enough homes, and housing delivery requires a significant boost in line with the policies of the NPPF. The Paper identifies the difficulties being faced by the younger age groups in particular as follows:

> **"Rising prices are particularly tough on younger people trying to get onto the housing ladder, or wanting to move into their first family home. Some young people have no choice but to continue to live with their parents, friends or strangers to make ends meet."[9]** (our emphasis)

3.18 The 25-34 year age group is widely considered as the age group in which the housing crisis has the most pronounced influence. This is acknowledged by the Housing White Paper which comments as follows:

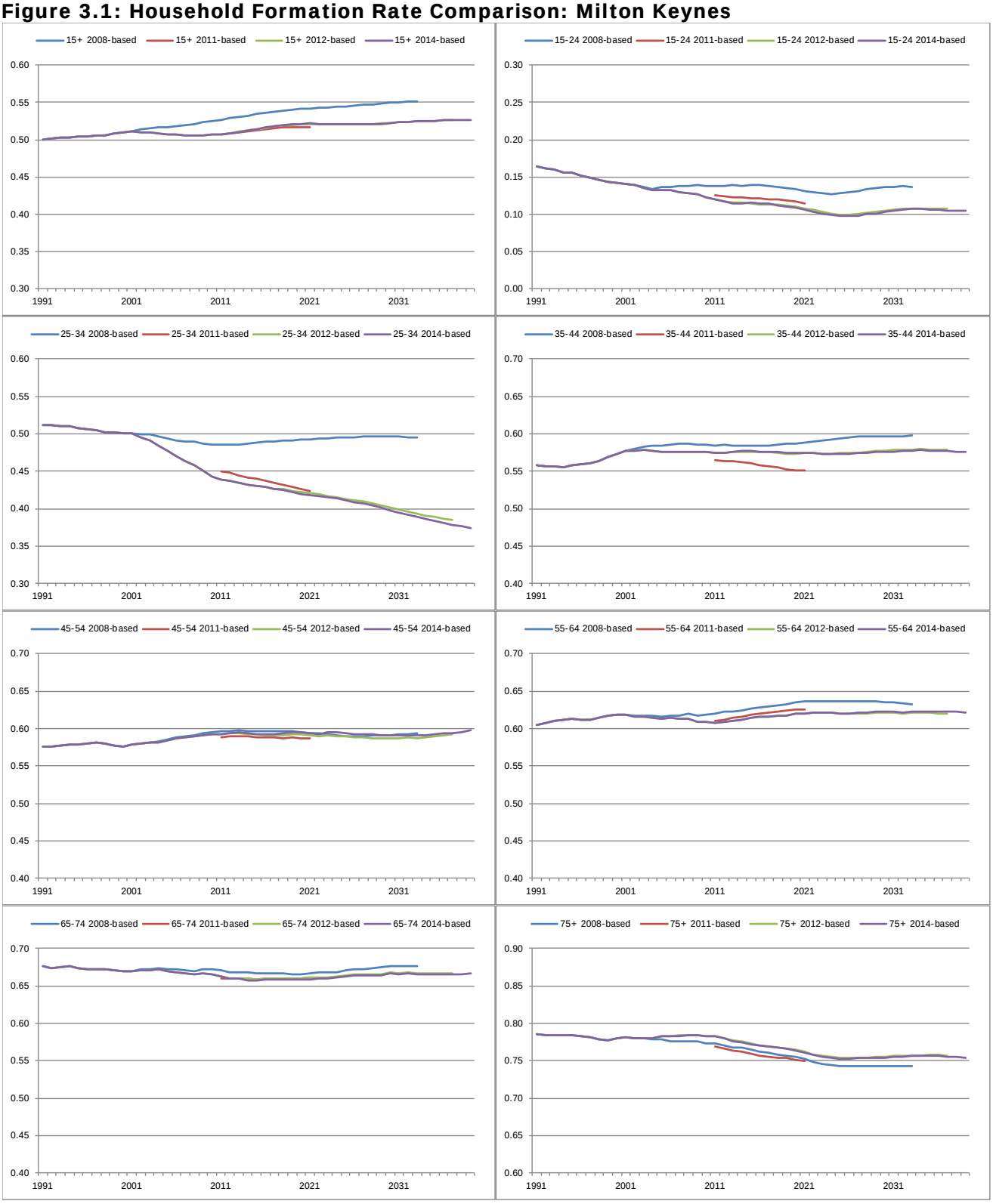
> **"As recently as the 1990s, a first-time buyer couple on a low-to-middle income saving five per cent of their wages each month would have enough for an average-sized deposit after just three years. Today it would take them 24 years. It's no surprise that home ownership among 25-to 34-year-olds has fallen from 59 per cent just over a decade ago to just 37 per cent today.**
>
> **Without help from the "Bank of Mum and Dad", many young people will struggle to get on the housing ladder." [10]** (our emphasis)

3.19 Although the White Paper acknowledges the impact on 25-34 year olds, the impact is also felt in the 35-44 year age group. This is borne out in the projected household formation rates of the projection series that have been published post 2011 Census.

3.20 Three series of HFRs have been published since the 2011 Census, and we compare these in Figure 3.1 with the 2008-based DCLG HFRs which were produced prior to the 2011 Census and projected a more positive level of household formation in younger age groups.

[9] Paragraph 4.3, page 58, Fixing our broken housing market, February 2017
[10] Paragraphs 2-3, page 10, Fixing our broken housing market, February 2017

Figure 3.1: Household Formation Rate Comparison: Milton Keynes



Source: DCLG

3.21 Figure 3.1 illustrates how the more recent 2012 and 2014-based DCLG household projections are underpinned by a significant deterioration in the household formation rates for the 25-34 year olds, in contrast to the 2008-based projections which projected stable household formation in this age group. Although the 2008-based HFRs did project some deterioration

between 2001 and 2011 in the HFRs for 25-34 year olds, the 2008-based HFRs were subsequently projected to increase again. However, both the 2012 and 2014-based HFRs show significant decline through to the end of the projection period.

3.22 The difference between the HFRs for 35-44 year olds is less marked. Nonetheless, whilst the 2008-based HFRs for 35-44 year olds projected an increase in household formation over the projection period, both the 2012 and 2014-based HFRs project no growth, with rates remaining stable over the projection period.

3.23 Lower household formation for younger people is largely a consequence of the affordability issues set out above, resulting in more concealed households in this age group and an indicator of household suppression.

3.24 In this context, to plan on the basis of the latest 2014-based household formation rates as published would only serve to exacerbate the problems that the White Paper has identified. In line with PPG it is therefore considered appropriate to apply more positive rates of household formation in the 25-34 and 35-44 age groups, in order to align with the policies of the NPPF and significantly boost housing supply.

3.25 The SHMA only gives limited consideration of the HFRs (referred to in the SHMA as household representative rates) underpinning the DCLG household projections. No analysis of HFRs by age groups is presented. This is considered a weakness of the SHMA.

3.26 The SHMA concludes on HFRs by stating:

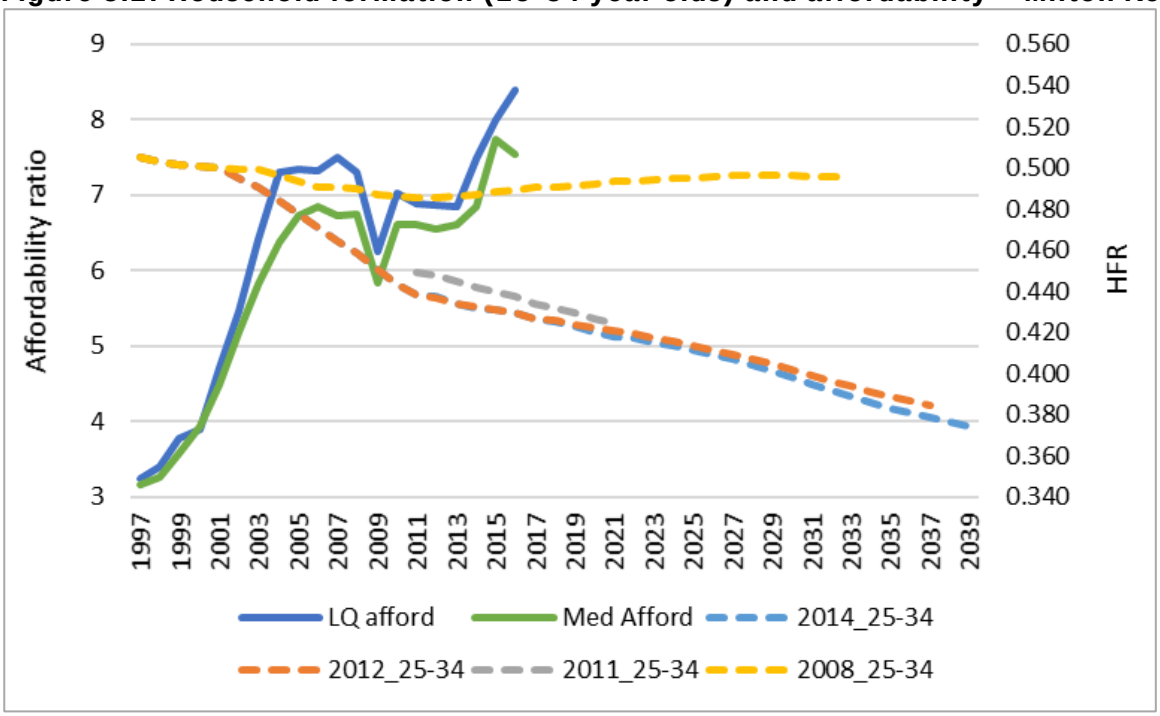
> **"The changes since 2008 were anticipated and these reflect real demographic trends, and therefore we should not adjust these further; although the extent to which housing supply may have affected the historic rate is one of the reason that we also consider market signals when determining the OAN for housing."[11]**

3.27 This conclusion is reached without local investigation and analysis and is at odds with i) the reports stated line of inquiry (has housing delivery suppressed formation rates?[12]); and, ii) the PPG which at ID2a 015 warns that *'formation rates may have been suppressed historically by under-supply and worsening affordability of housing'* and at 017; *'plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates'.*

[11] ORS, Milton Keynes SHMA 2016-2031, February 2017, paragraph 2.59, page 35
[12] ORS, Milton Keynes SHMA 2016-2031, February 2017, Figure 4, page 16

3.28 The SHMA fails to acknowledge the underlying relationship between household formation trends and affordability. In Milton Keynes, a sharp worsening in affordability between 2001 and 2011 coincided with household formation rates for the 25-34 age (first time buyer) group falling away from their projected path (2008-based), altering course from an already evident decline (formation rates were already constrained) into a pronounced and markedly steeper fall (see figures 3.2).

Figure 3.2: Household formation (25-34 year olds) and affordability – Milton Keynes



Source: DCLG, ONS and Barton Willmore

3.29 The 2014-based HFR for 25-34 year olds in Milton Keynes was evidently already supressed and declining prior to the 2011 Census, which is not surprising in light of the affordability problem prior to that point. The projected worsening of that trend (-0.04 in Milton Keynes between 2016 and 2031, see figure 3.2) should be addressed through the OAHN, in line with PPG.

v) Conclusions on Demographic OAHN

3.30 The Council's evidence base correctly identifies that the starting point for estimating housing need are the DCLG 2014-based household projections, which project growth of 1,461 households per annum in Milton Keynes (2016-2031) which the SHMA presents as being equivalent to 1,513 dwellings per annum (2016-2031).

3.31 However, the SHMA favours the use of a 10-year migration trend, rather than the 2014-based SNPP which underpin the starting point estimate. The use of a 10-year migration trend

increases housing need in Milton Keynes to 1,596 dwellings per annum (2016-2031) or 23,939 dwellings in total.

3.32 Whilst the preference for an alternative 10-year migration trend in Milton Keynes is supported, given short-term (5-year) migration trends to Milton Keynes appear to have been suppressed, we do not agree with the SHMA's decision to not adjust the 2014-based household formation rates for Milton Keynes.

3.33 The SHMA has failed to consider whether local household formation rates have been suppressed historically by under-supply and worsening affordability of housing, as required by PPG (ID2a-015). The analysis of HFRs by age group for Milton Keynes that we have presented in this chapter, has identified clear suppression in household formation for younger people which closely correlates with a worsening in housing affordability in Milton Keynes. On this basis, and as required by PPG (ID2a-017), sensitivity testing of alternative HFR assumptions is required in Milton Keynes and the SHMA has failed to consider this.

3.34 On this basis, we consider that the SHMA's demographic OAHN of 23,939 dwellings (1,596 dwellings per annum) is an underestimate of demographic housing need in Milton Keynes as it provides no remedy for suppressed household formation of younger people. Addressing this issue would increase the SHMA's demographic OAHN above 1,596 dwellings per annum (2016-2031).

4.0 THE APPROACH TO RECONCILING HOUSING NEED AND JOB GROWTH IN THE COUNCIL'S EVIDENCE

i) Introduction

4.1 In relation to future jobs growth, Section 4 of the SHMA (page 64) quotes PPG ID2a 018 and refers to the need to compare growth in the labour force (derived from the household projection) with future jobs growth and states that it is necessary to ensure a balance between future jobs and workers (paragraph 4.37).

4.2 The test of whether the SHMA's 'demographic OAHN' of 1,596 dwellings per annum (2016-2031) is capable of supporting projected job growth, depends upon i) the job growth projection used, ii) the assumptions used to reconcile (or link) job growth forecasts and the population projection underpinning the 'demographic OAHN'.

ii) Job Growth Projection

4.3 The SHMA makes use of the East of England Forecasting Model (EEFM) July 2016 baseline forecast, which suggests an increase of 31,900 jobs in Milton Keynes over the period 2016-2031 (equivalent to an additional 2,127 jobs per annum).

4.4 The July 2016 EEFM forecast is the latest available. However, we consider it a weakness of the SHMA to assess future job growth in Milton Keynes based on one forecast only. Due to the volatility in economic forecasts between forecasting houses, we would recommend consideration is also given to forecasts produced by other independent forecasting houses. This is an approach which has been supported at Local Plan Examinations, most notably in the case of South Worcestershire[13]. The potential weakness of consulting a single forecast was also noted by a section 78 appeal Inspector in Wokingham. [14]

4.5 Furthermore, PPG (ID2a-018) requires plan makers to assess the likely change in job numbers based on past trends and/or economic forecasts. The SHMA gives no consideration to past employment trends in Milton Keynes which we consider a further weakness.

4.6 Given the EEFM forecasts are publicly available, we have looked at past employment growth for Milton Keynes from the July 2016 release of the EEFM. Over the period 2001-2016, there was an increase of 44,300 jobs (equivalent to 2,953 per annum). This is higher than current

[13] Stage 1 of the Examination of the South Worcestershire Development Plan, Inspector's further interim conclusions, March 2014, paragraph 11, page 3.
[14] Paragraph 32, page 6, Appeal Decision APP/X0360/W/15/3097721.

forecasts and therefore the assumption underpinning the SHMA's OAHN. In this context, the SHMA's future job growth assumptions are considered conservative. This variation also provides further justification for the need to look at forecasts from other forecasting houses.

4.7 Furthermore, with reference to the first six years of the adopted Core Strategy's Plan period (2010-2016), the Annual Population Survey (APS) produced by the Office for National Statistics (ONS) states that there was growth of 18,300 jobs, a rate of 3,050 jobs per annum. This exceeds the ORS SHMA job growth assumption (2,127 jobs per annum) by 43%. This has implications in respect of historic delivery and we consider this job growth in the context of housing delivery over the Core Strategy plan period to date, in section 6 below.

4.8 To convert job growth into a workforce requirement, the SHMA applies a range of assumptions in respect of double-jobbing, commuting and economic activity. Each of these are discussed below.

iii) Double Jobbing

4.9 Although the July 2016 EEFM projects growth of 31,900 jobs in Milton Keynes over the period 2016-2031, the number of workers required to fill these jobs is presented as 27,500. The SHMA states that this implies that 4,416 of the extra jobs will be fulfilled by 'double-jobbing' (people with more than one job).

4.10 The assumption in the SHMA therefore is that 13.8% of the workers are double-jobbing. This assumption is high in the context of evidence from ONS (Reconciliation of estimates of jobs, March 2017)[15] which suggests that 3% of baseline jobs will be 'double-jobs'.

4.11 The SHMA's use of a high double-jobbing assumption could potentially underestimate the number of workers required to meet the projected job growth and in turn underestimate the OAHN required to support projected job growth of 31,900 jobs in Milton Keynes (2016-2031).

iv) Commuting

4.12 The SHMA assumes that the balance between in and out commuting in Milton Keynes will remain as observed through the 2011 Census. Paragraph 4.34 informs us that 78% of working Milton Keynes residents are employed in Milton Keynes, with the remaining 22% commuting outside of Milton Keynes to work. Furthermore, 31% of Milton Keynes jobs are filled by workers who live outside of Milton Keynes.

[15]https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/reconciliationofestimatesofjobs/latest#reconciliation-estimates-spreadsheet

4.13 The Census is considered a sound source of evidence from which to calculate the commuting balance. We have reviewed the source data and confirm that the analysis presented in the SHMA is correct.

4.14 We also support the SHMA's approach of holding the commuting assumptions constant over the projection period, as to alter the commuting assumptions would be deemed 'policy-on', having implications for neighbouring authorities from which workers are drawn.

v) Economic activity

4.15 The choice of activity rates used is particularly contentious and different assumptions can lead to materially different OAHN for housing calculations. However, in this case, the SHMA has applied the economic activity rates published by the Office for Budget Responsibility (OBR).

4.16 OBR is described as providing *'independent and authoritative analysis of the UK's public finances for Government, which include detailed analysis of past and future labour market trends'*[16] and notes that their analysis of labour market participation projections (economic activity rates) *'is not based on simplistic trends but is designed to capture dynamics that are specific to particular ages and those that cut across generations'*[17].

4.17 The use of OBR economic activity rates is gaining traction in housing need assessment practice and for the reasons highlighted above is supported. It is not clear what vintage of OBR economic activity projections have been utilised, although we assume that the 2015 vintage has been used as the 2017 vintage was not published until January 2017.

4.18 The SHMA has assumed actual economic activity rates by age and gender from the 2011 Census and updated them to take account of annual data from the Annual Population Survey (APS). These have then been projected over the period 2016 to 2031 following the OBR projection. This approach is supported.

vi) Bringing the evidence together

4.19 By applying economic activity assumptions to the population projection underpinning the SHMA's demographic OAHN (the 10-year migration trend scenario) the SHMA reports that the demographic OAHN will generate an additional 21,216 workers over the period 2016-2031. However, assuming 22% of those people will commute out of Milton Keynes (as explained above) the demographic projection will provide an additional 16,548 workers.

[16] ORS, Milton Keynes SHMA 2016-2031, February 2017, paragraph 2.31, page 27
[17] ORS, Milton Keynes SHMA 2016-2031, February 2017, paragraph 2.32, page 27

4.20 The SHMA's job growth assumption of creating an additional 27,500 jobs in Milton Keynes (2016-2031) will require an additional 18,986 workers from Milton Keynes, with a further 8,530 workers living outside of Milton Keynes (assuming 31% of jobs in Milton Keynes are filled by people from outside of Milton Keynes).

4.21 On this basis, the SHMA concludes that the demographic OAHN results in a shortfall of 2,438 workers and therefore there is '*a need to increase housing delivery to ensure that there will be enough workers for the likely increase in jobs in the area*'[18].

4.22 The SHMA presents the increase as an additional 1,739 dwellings over the period 2016-2031 (equivalent to an additional 116 dwellings per annum) which to the demographic OAHN (23,939 dwellings) results in a need for 25,678 dwellings (1,711 dwellings per annum).

vii) Conclusions on Economic OAHN

4.23 The SHMA's assumptions in relation to commuting and economic activity appear sound. On this basis, we consider the SHMA's assessment of workers generated from the demographic OAHN to be robust.

4.24 Whilst we also agree that an uplift to demographic OAHN is required to support economic growth in Milton Keynes, we believe that the SHMA's future job growth assumption may be conservative considering our analysis of past employment trends. We therefore recommend consideration is given to employment forecasts produced by other independent forecasting houses, in line with the Local Plan Examination report and section 78 decision notice referred to.

4.25 We also have concerns in respect of the double-jobbing adjustment applied in the SHMA. A double-jobbing adjustment of 13.8% appears to be very high in comparison with recent ONS data which suggests an approximate proportion of 3% to be reasonable. The concern of such a high double-jobbing assumption is that the number of homes required to support job growth is underestimated.

4.26 Based on our conclusions on the economic-led OAHN, it is considered that the number of homes required to support job growth has the potential to increase from the SHMA's conclusions. Further sensitivity testing is required.

[18] ORS, Milton Keynes SHMA 2016-2031, February 2017, paragraph 4.36, page 65

5.0 CAMBRIDGE-MILTON KEYNES-OXFORD ARC STUDY

i) Introduction

5.1 The National Infrastructure Commission (NIC) was established by the Chancellor of the Exchequer in October 2015. The commission carries out independent and unbiased assessments of the UK's long-term infrastructure needs and monitor the government's and industry's progress in meeting them. Periodically it publishes a National Infrastructure Assessment looking across all key sectors and geographies.

5.2 On 16 March 2016, the Chancellor asked the commission to:

> **"….make recommendations [to government] to maximize the potential of the Cambridge – Milton Keynes – Oxford corridor as a single, knowledge intensive cluster that competes on the global stage, whilst protecting the area's high quality environment and securing the homes and jobs the area needs. The commission will look at the priority infrastructure improvements needed and assess the economic case for which investments would generate the most growth."**

5.3 In November 2016, the Commission published an interim report. In summary, the document stated that a lack of sufficient and suitable housing presents a risk to future economic growth, and that without a joined-up approach to panning for housing, jobs, and infrastructure, the Cambridge-Milton Keynes-Oxford arc risks being left behind by its international competitors and thereby damaging the UK's future competitiveness.

5.4 The central finding is that house building rates need to double if the arc is to achieve its economic potential.

ii) Summary of Findings

5.5 In November 2017, the Commission published 'Partnering for Prosperity: A new deal for the Cambridge-Milton Keynes-Oxford Arc'. The NIC notes that Cambridge-Milton Keynes-Oxford arc contains some of the country's most productive and innovative places, delivering growth and prosperity (page 2). The report goes on to state that the Cambridge-Milton Keynes-Oxford arc must be a national priority. Its world-class research, innovation and technology can help the UK prosper in a changing global economy.

5.6 However, the report also notes that success cannot be taken for granted. It also reiterates the findings of the interim report that without urgent action, a chronic undersupply of homes could jeopardise growth, limit access to labour and put prosperity at risk (page 3).

5.7 In terms of the whole Cambridge-Milton Keynes-Oxford arc, the report highlights how in order to remove constraints to growth from an undersupply of housing and to realise a step change in the arc's economy, performance will require a transformational growth in jobs. According to page 25 of the NIC report, this would see the population increase by about 1.4 and 1.9 million in the period to 2050. In turn, this would require between 782,000 and 1,020,000 new homes by 2050. Current development plans, if realised in full, might be expected to deliver only 230,000 of these new homes (see page 26). This includes sites that are under construction, approved, in for planning or allocated in local plans.

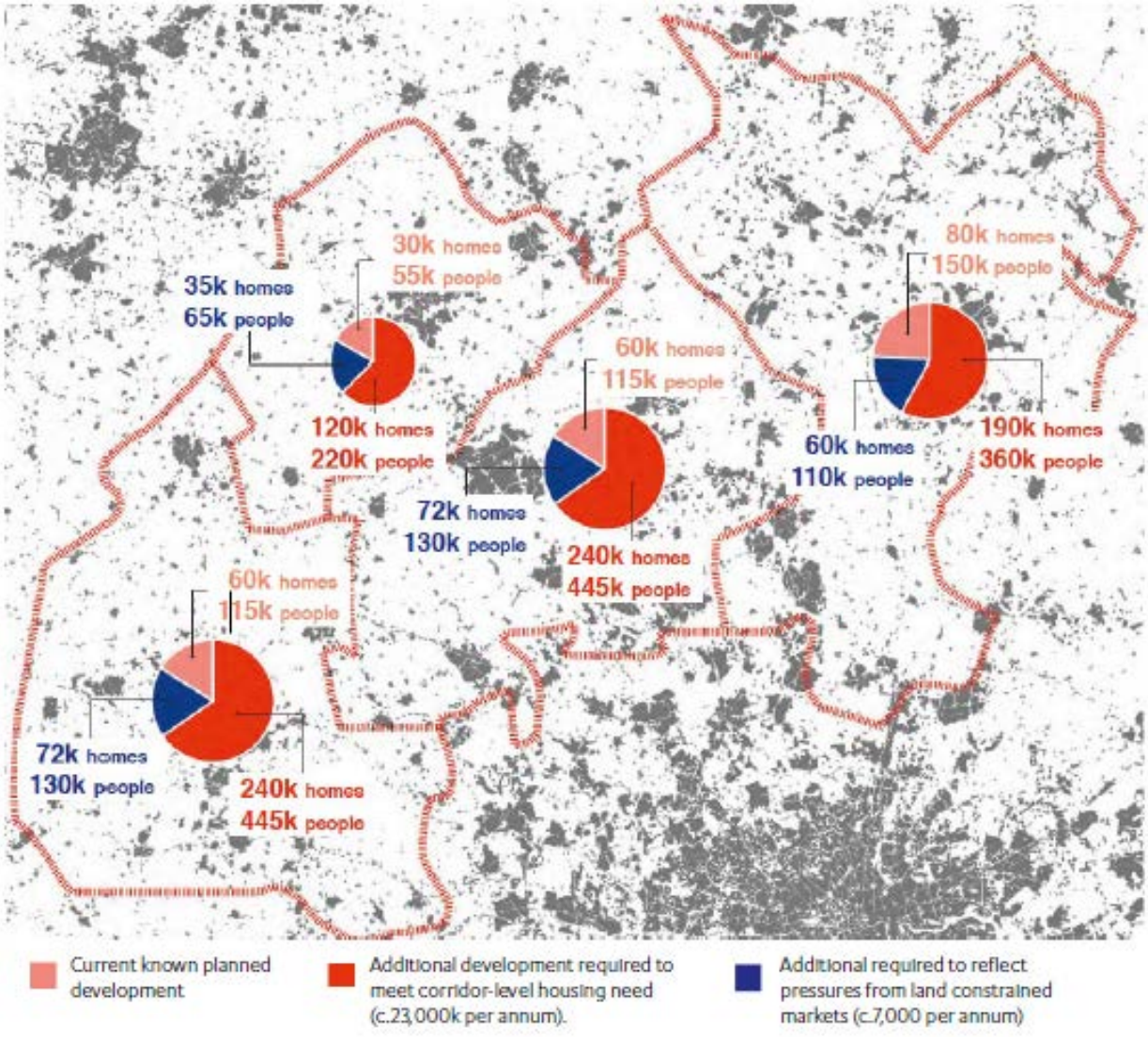
5.8 Figure 5.1 below illustrates the quantum of planned and required development across the four different areas of the arc. The Milton Keynes component of the arc (the central area in Figure 5.1) which incorporates the local authority areas of: Milton Keynes; Aylesbury Vale; Central Bedfordshire; Luton; and Bedford, shows that the current known planned development equates to 60,000 houses, with an additional 240,000 houses needed to meet the corridor-level housing need figure, and a further 72,000 houses required to reflect pressure from land constrained markets.

5.9 The report acknowledges that to unlock the potential of the Cambridge-Milton Keynes-Oxford arc, Government and local authorities will need to plan for major urban extensions and large new settlements - including the first new towns to be built in over a generation. Delivering development of this scale, character and quality will require local leadership, the support of local communities and skilled planning.

5.10 In terms of the next steps, the Partnering for Prosperity report notes that the success of the Cambridge-Milton Keynes-Oxford arc depends as much on the decisions and actions of locally elected leaders as it does on central government. To this end, the Commission have put forward what it considers to be an ambitious timetable. For example, Recommendation 9 of the report states that:

> **'Government should work with local authorities and any new delivery bodies from across the arc to prepare and publish a six monthly update, with the first being published in April 2018, enabling the Commission to assess progress achieved in delivering the recommendations set out in this report.'**

Figure 5.1: Illustration of planned and required development levels, 2016-2050



Source: Figure 6 from the 'The Partnering for Prosperity: A new deal for the Cambridge-Milton Keynes-Oxford Arc report by National Infrastructure Commission (NIC). In turn, this was sourced from 5th Studio, based on data analysis by Savills, Arup and Cambridge Econometrics.

5.11 A report titled 'Cambridge, Milton Keynes, Oxford, Northampton Growth Corridor – A Final Report for the National Infrastructure Commission' (November 2016) by SQW, considers the economic rationale for infrastructure investment in the Cambridge, Oxford, Milton Keynes, and Northampton area. The study area presents a complex geography with no precise definition, but using data on knowledge-based sector specialisation at Local Authority District (LAD) level, a definition was agreed which split the area into four sub-geographies as shown in Figure 5.1:

1. Greater Cambridge and northern Hertfordshire area;
2. Greater Oxford-Swindon area;
3. **Milton Keynes-Bedfordshire-Luton-Aylesbury Vale region**; and
4. Greater Northampton area.

5.12 The study refers to three separate development scenarios:

- **Business as usual** - existing levels of housing delivery are maintained (which are below those required to address the level of housing need identified in Strategic Housing Market Assessments (SMHAs)). The ONS principal population projection is realised. Existing infrastructure commitments and plans are carried through, with basic infrastructure improvement and maintenance carried out but no further ambitious schemes realised;
- **Incremental Enhancements** - the requirements identified in SMHAs are met. An increase in population is realised in line with the ONS high migration projection. Transport infrastructure investments are made above and beyond the existing plans. Several existing constraints to economic growth are relieved; and
- **Transformational Enhancements** - housing investment is such that population grows well above the ONS high migration scenario. A high level of transport investment is realised, allowing an increase in economic integration. The study area moves towards the vision of becoming a functional economic corridor and a globally competitive knowledge cluster.

5.13 The SQW report states the following level of employment growth for the Milton Keynes-Bedfordshire-Luton-Aylesbury Vale region growth area for each of the scenarios:

- Baseline = 0.5%;
- Incremental = 0.9%; and
- Transformational = 1.4%.

5.14 For Milton Keynes Borough Council in isolation, these three scenarios will result in the following level of job growth over the two periods provided in the report:

Table 5.1: Milton Keynes Job Growth – SQW Report

	2014-2025 (jobs per annum)	2014-2050 (jobs per annum)
Baseline	18,000 (1,636)	48,000 (1,333)
Incremental	23,000 (2,090)	83,000 (2,305)
Transformational	33,000 (3,000)	136,000 (3,777)

5.15 As we have identified in the previous section of this report, the Council's OAHN is underpinned by an assumption of 2,126 jobs per annum between 2016 and 2031. This exceeds the 'baseline'

scenario set out in the Cambridge-Milton Keynes-Oxford arc report, and is equal to the 'incremental' scenario for the shorter 2014-2025 period. However, the Council's job assumption would fall short of the 'incremental' scenario over the longer 2014-2050 period, and the 'transformational' scenario over both periods.

iii) Summary

5.16 In its conclusions, the study notes that without the housing and infrastructure interventions outlined in the report, employment and productivity growth in the four sub areas (including Milton Keynes) is unlikely to be maintained at current levels, and that genuinely transformational changes will be required to realise the full potential of the study area and `effect the Chancellor's envisaged "knowledge intensive growth corridor".

5.17 As outlined in this section, the 'transformational' scenario would require job growth significantly more than that underpinning the OAHN which would have to be increased significantly to fulfil the ambition of the NIC for the Cambridge-Milton Keynes-Oxford arc.

6.0 THE APPROACH TO MARKET SIGNALS TAKEN IN THE COUNCIL'S EVIDENCE

i) Introduction

6.1 The PPG lists six market signals to be analysed (ID2a-019/020) as part of the OAHN, and the Council's SHMA (pages 66-79) sets out its analysis of these signals as part of the wider OAHN it presents. The PPG states how market signals analysis should be undertaken on the basis of a comparison with similar demographic/economic areas, and in this context the SHMA compares Milton Keynes to Northampton, Peterborough, and Swindon. We consider the analysis of the SHMA below.

ii) House Prices

6.2 The analysis of lower quartile house prices (pages 68-70) in Milton Keynes and the comparator areas is shown between the years of 2001 and 2015, and shows a clear pattern – Milton Keynes lower quartile house prices have increased to a higher level and more sharply than all comparator areas and the national average.

6.3 In terms of the presentation of the analysis, the PPG requires the change to be provided by absolute levels and rates of change over the analysis period. It is considered that this could be clearer in the SHMA, and analysis of median house prices could also be added.

6.4 A further key point to note from figures 47 and 48 is how the house prices in Milton Keynes have risen sharply since 2014 when compared with the other areas analysed.

iii) Affordability Ratios

6.5 Perhaps the most critical of the PPG's market signals relate to affordability, and in particular the lower quartile and median affordability ratios. The lower quartile ratio measures lower quartile earnings to lower quartile house prices. The lower the ratio, the more affordable housing is. The median ratio calculates median earnings against median house prices.

6.6 The ORS SHMA (Figure 50) presents the lower quartile affordability ratio for Milton Keynes and the comparator areas. However, despite presenting the change between 2001 and 2015 in figure 50, the subsequent summary table 57 on page 76 of the SHMA only provides the change over the last 5 years. The PPG refers to 'longer term trends' (PPG ID2a-020), and a 5-year period is not considered to be adequate.

6.7 Notwithstanding this, Table 50 shows how Milton Keynes lower quartile affordability ratio in 2015 is 17% higher than the national average, and higher than all of the comparator areas analysed. The 5-year increase of 14% is also higher than the national average (5%) but lower than Northampton (25%).

6.8 Barton Willmore's reference to median affordability ratio data from the ONS (not included in the SHMA) shows how Milton Keynes' median ratio has increased by 3.07 points (or 58%) between 2002 and 2016, to 8.40. The comparator areas show an increase of 2.57 points (Peterborough), 2.21 (Northampton), and 1.22 (Swindon) to ratios of 6.46, 6.59, and 6.66 respectively. The national increase over the same period has been 2.53 (or 50%) to 7.58. This provides additional evidence showing how affordability has declined more acutely in Milton Keynes than comparator areas and nationally.

iv) Rents

6.9 Private sector rental data is provided in Figure 54 of the SHMA and then summarised in Table 57. Again, the trend in Milton Keynes shows a more acute worsening of the situation over the last 5 years. Milton Keynes is the only one of the areas to have a higher average monthly rent when compared against the national average (+6%), and has experienced the highest increase in average rents (+20%) when compared with the comparator authorities.

v) Rate of Development

6.10 When analysing past housing delivery, the PPG states how a *"meaningful period"* should be used to measure supply. The PPG then goes on to state that *"if the historic rate of development shows that actual supply falls below planned supply, the future supply should be increased to reflect the likelihood of under-delivery of a plan."*

6.11 Notwithstanding this guidance the ORS SHMA does not discuss past delivery in this context. Instead the SHMA discusses the figures suggested by the Council's Annual Monitoring Reports, Census data, and DCLG data.

6.12 From reference to the Council's most recent 'Assessment of Five Year Land Supply 2016-2021' report (June 2016), there has been a shortfall of delivery against the Core Strategy housing target since 1 April 2010. The Council's report states the following:

> **"In the 6 years since the start of the Core Strategy Plan period (1 April 2010), there have been 7,819 net completions. Against the average requirements of the Core Strategy this means there has been a**

> **shortfall of 2,681 homes across the Borough in the first 6 years of the plan period."** [19] (Our emphasis)

6.13 This means that in the first 6 years of the Core Strategy only 75% of planned provision has been achieved. A shortfall of over 2,500 homes is significant, and something that is not properly explained in the SHMA. This shortfall will have had a knock-on effect on affordability in the area and needs to be addressed through the OAHN.

6.14 The SHMA considers it necessary to identify the extent of under provision that specifically occurred in the year 2015/16, given '*the SHMA identifies all housing need based on household projections from a baseline date of 2015, whereas the OAN is being established from the base date of the Plan which starts in 2016*'[20]. Housing delivery totalled 1,248 dwellings in 2015/16 whereas the household projection identified a need for 1,801 dwellings for the same year. A backlog of 553 dwellings is therefore identified and the SHMA therefore adds a further 553 dwellings to the OAHN assessment in response to backlog of housing provision.

6.15 The level of past housing delivery over the Core Strategy period to date (2010-2016) should also be considered in the context of job growth over the same period, and whether housing delivery has kept pace with economic growth.

6.16 In this context, the ORS SHMA determines that 1,766 dpa would be required to support growth of 2,127 jobs per annum (jpa) over the next 15 years (2016-2031). Although the adopted Core Strategy planned for a similar level of delivery (1,750 dpa) as identified above, only 1,300 dpa have been completed. As the ONS' Annual Population Survey (APS) states, there has been growth of 3,050 jpa over the same period, a significantly higher figure than the job growth that ORS' OAHN of 1,766 dpa is said to support (2,127 jpa).

6.17 It is therefore clear that there is a mis-match between the ratio of homes and jobs between 2010 and 2016, which would have led to an exacerbation of unsustainable commuting patterns. The average delivery of 1,300 dpa between 2010 and 2016 would clearly have been inadequate in supporting the 3,050 jpa. This further emphasises the problems associated with the significant housing delivery shortfall evident in Milton Keynes and highlights how the market signals adjustment proposed by ORS is a token gesture, only providing a partial response to housing shortfall that has occurred in Milton Keynes.

[19] Paragraph 2.4, page 2, Milton Keynes Council Assessment of Five Year Land Supply 2016-2021, June 2016
[20] ORS, Milton Keynes SHMA 2016-2031, February 2017, paragraph 4.84, page 78

vi) Overcrowding and concealed households

6.18 The SHMA considers the increase in concealed households in the affordable housing need section of its analysis, identifying how there has been an increase of 101% (615 households) in the number of concealed households in Milton Keynes between the 2001 and 2011 Census'. This compares with a regional increase of 71% and a national increase of 71%, highlighting a more acute problem in Milton Keynes than the national average.

6.19 The SHMA identifies (Figure 23) that 480 of the 615 increase in concealed households in Milton Keynes was in families where the family representative person was aged under 55 years. Added to this is a gross need of 6 households accepted as homeless but without temporary accommodation provided and a further 318 households in temporary accommodation (B&Bs or hostels).

6.20 Combined, this equates to 804 households or 815 dwellings. The SHMA states:

> **"This number includes 804 households that would not be counted by the household projections. There is, therefore, a need to increase the housing need based on demographic projections to accommodate these additional households"[21]**

vii) SHMAs response to market signals

6.21 In the context of SHMA's analysis of concealed households, the SHMA makes an upward adjustment of 815 dwellings to the SHMA's demographic OAHN for Milton Keynes (23,939 dwellings) which is equivalent to a 3.4% uplift, in response to market signals in Milton Keynes.

6.22 However, the SHMA's assessment of market signals concludes as follows:

> **"it is apparent that the indicators generally indicate that housing market pressure in Milton Keynes are higher than those in similar areas; and given that many of these areas show greater pressures than the national average (in particular the market signals relating to price), conditions across Milton Keynes suggest that the level of Objectively Assessed Need for Milton Keynes should be higher than suggested by household projections in isolation." [22]**

6.23 In this context the SHMA considers an increase from household projections of 10% to be adequate for market signals pressure in Milton Keynes. The figure of 10% is drawn from the Eastleigh Local Plan Examination Inspector's report. The SHMA goes on to state how the market

[21] ORS, Milton Keynes SHMA 2016-2031, February 2017, paragraph 3.54, page 49
[22] Paragraph 4.76, page 77, Milton Keynes Strategic Housing Market Assessment 2016-2031, ORS, February 2017

signals position as of 2015/16 is marginally worse in Milton Keynes than Eastleigh, and on this basis a 10% adjustment in Milton Keynes is justified.

6.24 However, this comparison is considered to be too simplistic, and doesn't address the tests prescribed by PPG. The PPG (ID2a-020) requires a comparison of absolute levels and rate of change over the 'longer term', and not simply the position in the most recent year that data is available for. It is considered that the SHMA needs to provide this analysis to ensure that a 10% increase is adequate.

6.25 By way of examples, Barton Willmore's analysis reveals the following:

- the number of concealed households in Milton Keynes increased by 101% between 2001 and 2011. In Eastleigh the increase was only 57%;
- the median affordability ratio increased by 139% in Milton Keynes (1997-2016) compared with only 119% in Eastleigh;
- median house prices increased by 326% in Milton Keynes (1997-2016) compared with 282% in Eastleigh;

6.26 This baseline analysis suggests a more acute market signals position in Milton Keynes than in Eastleigh. Furthermore, the PPG also states how the market signals adjustment should increase supply by *"an amount that could be expected to improve affordability."* This consideration is not provided in the SHMA.

6.27 The Eastleigh Local Plan Examination report dates from early 2015, and in the intervening period there have been a number of Local Plan Examination decisions that have determined an uplift for market signals of up to 25%. The most recent in Mid Sussex (February 2017) required an increase of 20% for market signals.

6.28 In the context of our comments above, more detailed analysis is considered to be required in determining the adequate market signals adjustment for Milton Keynes. Below we set out a number of approaches published by Government, advisory bodies, and academics alongside Local Plan Inspector approaches, in chronological order of their publication date.

viii) Alternative Approaches to Addressing Market Signals

Planning for the Right Homes in the Right Places: Consultation Proposals (September 2017)

6.29 Appendix 1 of this report considers the local housing need figure for Milton Keynes that would result from DCLG's recent consultation proposals. However, it should be noted that the main

element of the proposed method concerns an uplift to address affordability. The proposed adjustment will be made based on the most recent year's median affordability ratio. For Milton Keynes the ratio is 7.54 in 2016.

6.30 Based on the proposals, every local authority with a median ratio above 4.0 would require an uplift to DCLG's household projections for affordability pressure. As Appendix 1 sets out in detail, the uplift in Milton Keynes would equate to 22%. A 22% uplift to the DCLG projection for the Plan period would increase the OAHN from 1,513 dpa to 1,846 dpa. This would exceed the Milton Keynes SHMA's OAHN of 1,766 dpa.

Mid Sussex Local Plan Examination: Office for Budget Responsibility and University of Reading affordability calculator (February 2017)

6.31 The Inspector for the Mid Sussex Local Plan endorsed an uplift to address market signals issues based on the OBR's house price and earnings forecasts and the University of Reading's house price elasticity research.[23] The approach enables identification of the impact on the affordability ratio of a given future housing supply and also how many dwellings would be required to maintain the affordability ratio at current 2016 levels.

6.32 This approach suggests a need for **2,087** dwellings per annum in Milton Keynes to maintain the 2016 median affordability ratio (7.54) by 2031. Appendix 2 presents the detailed affordability calculator for Milton Keynes.

Redfern Review (November 2016)

6.33 The Redfern Review[24] 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 (paragraph 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."**

[23] Mid Sussex District Local Plan Examination, Inspector's letter to the Council, 20 February 2017, page 5
[24] The Redfern Review into the decline of home ownership' (16 November 2016) - http://www.redfernreview.org/wp-content/uploads/2016/01/TW082_RR_online_PDF.pdf

6.34 The accompanying report by Oxford Economics[25] 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 dwellings per annum *"helps to keep prices in check"* up to 2026, albeit still rising marginally.

6.35 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 dwellings per annum as a figure to keep prices in check would represent a **44.2%** uplift over the demographic baseline suggested by the 2014-based projections (215,000 dwellings). A lower percentage would be sufficient to hold affordability constant if household incomes increased in a corresponding manner.

6.36 In Milton Keynes, a 44.2% increase to the 2014-based household projection (1,513 dpa) would lead to a requirement for **2,181 dpa, 2016-2031**.

Local Plans Expert Group (LPEG) Approach (March 2016)

6.37 Prior to the publication of CLG's 'Planning for the Right Homes in the Right Places' consultation proposals in September 2017, the only systematic approach to this issue, and clear guidance to answer the question of how much uplift is required for market signals pressure, was offered by the LPEG recommendations presented to Government in March 2016.

6.38 We note that the LPEG recommendations to Central Government have not been adopted as formal policy or guidance, however the method was developed by experts in the field and it is considered that they provide a valuable method for how the demographic-led OAHN may need to be adjusted for affordability pressure. Furthermore CLG's consultation on a standardised method for establishing local housing need is yet to be formally adopted and could be subject to change.

6.39 It is therefore considered appropriate to consider their recommendations here, particularly in the context of the LPEG recommendations prescribing specific adjustments for market signals, and the lack of clear guidance in the existing PPG in respect of market signals uplifts.

[25] '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

6.40 In respect of market signals the LPEG report uses a measure of absolute affordability to justify a market signals uplift (additional to the recommended household formation rate adjustment). The median house price affordability banding thresholds arrived at by LPEG are:

- less than 5.3 = 0% uplift;
- 5.3 to less than 7.0 = 10% uplift;
- 7.0 to less than 8.7 = 20% uplift;
- more than 8.7 = 25% uplift.

6.41 For the purposes of calculating the LPEG uplift, the average of the most recent three years of recorded data is used by LPEG. CLG live table 577 provides median house price affordability data for the three years 2014 to 2016. The average for Milton Keynes is 7.37. This ratio falls within the threshold requiring a 20% uplift to demographic-led OAHN.

6.42 Application of the LPEG market signals adjustment (20%) to the 10-year migration trend (1,596 dpa, 2016-2031) set out in Figure 2 of the SHMA (without any adjustment for more positive household formation rates as required by LPEG's recommendations), would require OAHN of **1,915 dpa**. Over the 15-year Plan period this would equate to an additional 2,235 dwellings above the 26,493 dwellings determined by the SHMA.

National Housing & Planning Advice Unit (NHPAU, 2007)

6.43 The NHPAU was founded by Government as direct response to the recommendations of the Barker Review and in October 2007 published *'Developing a target range for the supply of new homes across England'*[26]. This flowed from analytical modelling on the impact of the Government's housing supply target for housing affordability prospects over the medium and long-term. The report concluded that a supply range from 240,000 dpa (Government's annual target at that point) to 280,000 dpa should be tested (Table 18), going on to identify (para 4.68):

> **"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."**

[26] 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

6.44 The target of 270,000 per annum would equate to a **24% increase** above the baseline 2014-based CLG household projection for England (circa 218,000 dwellings per annum, 2014-2039). Applied to the starting point CLG projection in Milton Keynes this would result in OAHN of **1,876 dpa, 2016-2031**.

6.45 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.

Barker Review (March 2004)

6.46 The Barker Review used a baseline figure of 140,000 dwellings against which to measure its proposed increase on past supply in order to 'improve the housing market'. It's conclusion of an additional 120,000 dwellings per annum needed implied an increase in housebuilding of 85.7% over past supply levels. Whilst this has not been met at a national level in the period since (and has led to a much further worsening in affordability), it continues to provide a benchmark for how much local authorities might need to improve supply against recent delivery to similarly bring about an improvement in the local housing market (assuming the scale of problem now is, at best, similar to the level it was in 2004).

6.47 Over the past 10 years (2006-2016), which has seen the lower quartile affordability ratio increase from 7.24 to 8.81, Milton Keynes has delivered an average of 1,503 dpa. A Barker Review style 85.7% increase on this supply position would imply a need for 2,791 dpa in order to improve the housing market. This would be equivalent to a 84.5% market signals increase from the demographic starting point of 1,513 dpa.

ix) Conclusions on Market Signals

6.48 As discussed in this section, the ORS SHMA provides a summary of market signals data for Milton Keynes, and compares the trends with Northampton, Swindon, and Peterborough. The key points to note from our analysis are as follows:

- The ORS SHMA fails to present the market signals data as required by PPG in some instances, i.e. longer terms trends by absolute levels and rates of change;
- The impact of past under-delivery from the start of the Core Strategy period (2010) is considered to be understated in the SHMA. There has been a shortfall of 25% or approximately 2,600 dwellings in six years which would have also failed in

supporting the significant job growth recorded in Milton Keynes between 2010 and 2016;

- The justification for a 10% increase for market signals, based solely on a comparison with Eastleigh (where a 10% increase was applied) is too simplistic, and fails to consider more recent Planning Inspectorate decisions which have applied market signals adjustments of up to 20%;
- The only systematic approaches to market signals uplifts (LPEG and the recent Planning for the Right Homes in the Right Places consultation) would lead to uplifts of between 20% and 22%. Applying these approaches would increase OAHN to between 1,846 and 1,915 dpa, both more than the SHMA's OAHN (1,766 dpa).

7.0 SUMMARY AND CONCLUSIONS

7.1 This report has reviewed and evaluated the most recent OAHN evidence base for Milton Keynes Council, namely the 'Milton Keynes Strategic Housing Market Assessment 2016-2031' produced by Opinion Research Services (ORS) and published in February 2017. The SHMA identifies the full Objectively Assessed Housing Need (OAHN) for Milton Keynes as 26,493 dwellings (2016-2031), equivalent to 1,766 dwellings per annum.

7.2 On the face of it, the SHMA's approach to assessing overall housing need is compliant with the PPG methodology. The process described by the report involves appraisal of the published household projections, identifying and addressing any demographic issues, deriving an adjusted projection as necessary and then testing whether the result will 1) accommodate enough workers to meet job demand and 2) help to alleviate worsening market signals (where evident).

7.3 However, in practice a number of shortcomings have been identified that give rise to an underestimate of housing need in the SHMA. Table 6.1 (overleaf) summarises our findings alongside the relevant sections of the PPG HEDNA and below we expand on our conclusions.

i) Household Formation and the Demographic OAHN

7.4 The SHMA correctly identifies that the 2014-based starting point (22,639 dwellings/ 1,513 per annum, 2016-2031) is underpinned by suppressed migration trends following detailed consideration of population change and local data sources for Milton Keynes. Use of a 10-year migration trend (2005-2015) increases housing need to 23,939 dwellings/ 1,596 per annum (2016-2031).

7.5 It is not known which approach the SHMA has used to produce the 10-year migration trend (fixed counts or rates). Further sensitivity testing is required to determine whether the SHMA's analysis of the 10-year migration trend is robust, but on the face of it, the SHMA's analysis of the 10-year migration trend appears sound.

7.6 However, the SHMA's analysis of local household formation rates, both past and projected, is non-existent and the 2014-based household formation rates are adopted without scrutiny because they are assumed to *'reflect real demographic trends, and therefore we should not adjust these further'*[27].

[27] ORS, Milton Keynes SHMA 2016-2031, February 2017, paragraph 2.59, page 35

7.7 This conclusion is at odds with PPG which at ID2a 015 warns that *'formation rates may have been suppressed historically by under-supply and worsening affordability of housing'* and at 017; *'plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections and household formation rates'.*

7.8 The local analysis of household formation in Milton Keynes that we have presented in Chapter 3 of this report, shows that household formation for 25-34 and 35-44 year olds in Milton Keynes was evidently suppressed and declining prior to the 2011 Census, which is not surprising in light of worsening housing affordability in Milton Keynes. The projected worsening of that trend, in the context of severe affordability constraints (Figure 3.2 of our report) is indicative of engrained household formation rate suppression and should be addressed through the OAHN, in line with PPG.

7.9 Although the SHMA makes no adjustment for suppressed household formation when assessing demographic OAHN in the main body of the report (Chapter 2) the SHMA does apply an uplift of 815 dwellings (total over period 2016-2031) as an adjustment for suppressed household formation rates when concluding on OAHN for Milton Keynes (Figure 58). The uplift of 815 dwellings is part of the SHMA's market signals adjustment derived from the increase in concealed households and homeless households in Milton Keynes. In our opinion, this does not adhere to the PPG HEDNA which supports sensitivity testing of alternative assumptions in relation to household formation rates (ID2a 017). Furthermore, the PPG HEDNA identifies a distinct separate adjustment for market signals (ID2a 020).

7.10 Further sensitivity testing is required to determine the extent of uplift an adjustment to household formation rates in Milton Keynes would have.

ii) Future jobs OAHN

7.11 The SHMA's assumptions in relation to commuting and economic activity are sound, and therefore we consider the SHMA's assessment of workers generated from the demographic OAHN to be robust. On this basis, we agree with the SHMA's conclusion that the demographic OAHN (23,939 dwellings/ 1,596 per annum) will not support economic growth in Milton Keynes.

7.12 However, the SHMA has only considered future job growth for Milton Keynes from the East of England Forecasting Model's (EEFM) July 2016 forecast, which forecasts growth of 31,900 jobs in Milton Keynes over the period 2016-2031 (2,127 per annum). The SHMA has failed to consider past employment trends as required by PPG (ID2a 018). To fill this gap, we have analysed past trends from the July 2016 EEFM series which identifies growth of 44,300 jobs in

Milton Keynes (2001-2016) equivalent to 2,953 per annum. In light of this analysis, we consider the SHMA's assumption of future job growth in Milton Keynes to be conservative and thus the SHMA provides an underestimate of economic OAHN for Milton Keynes.

7.13 Furthermore as we have identified in the report, there has been a clear mis-match between average annual housing delivery (1,300 dpa) and job growth (3,050 jobs per annum) over the first 6 years of the Core Strategy (2010-2016). This will have exacerbated unsustainable commuting patterns.

7.14 We recommend consideration is also given to employment forecasts produced by other independent forecasting houses in line with the approach endorsed by the South Worcestershire Local Plan Inspector.

7.15 Furthermore, despite our concern that growth of 31,900 jobs provides a conservative assessment of future job growth for Milton Keynes, the SHMA reduces the assumption to 27,500 additional jobs (2016-2031) based on double-jobbing. This represents a 13.8% adjustment which is very high in comparison with recent ONS data which suggests an adjustment of 3% for double-jobbing. The concern of such a high double-jobbing assumption is that the number of homes required to support job growth in Milton Keynes is underestimated.

7.16 In addition, the recent conclusions of the National Infrastructure Commission (NIC) plans for the Cambridge-Milton Keynes-Oxford arc suggest that the job growth set out in Milton Keynes SHMA falls significantly short of the job growth required to meet the Government's aspirations for the corridor. The evidence underpinning the aspirations of the NIC show that higher job and housing growth than set out in the SHMA would be required.

iii) Market Signals

7.17 Chapter 4 of the SHMA provides analysis of the PPG market signals indicators and identifies housing market pressure in Milton Keynes which is higher than in comparison to the other neighbouring areas considered by the SHMA. The PPG HEDNA states that plan makers should respond to worsening market signals by making an upward adjustment to planned housing numbers based solely on household projections (ID2a 020). The adjustment is intended to improve affordability and PPG states that the improvement in affordability needed, the larger the additional supply response should be.

7.18 The SHMA's analysis identified an increase of 804 concealed and homeless households (equivalent to 815 dwellings) which the SHMA considered should be incorporated as a response to market signals (SHMA paragraph 4.77). The SHMA presents this as a 3.4% on the household projections but goes on to increase the market signals uplift to 10% on the basis of the market signals uplift applied in Eastleigh.

7.19 A 10% market signals uplift for Milton Keynes is not considered sufficient as market signals in Milton Keynes are more acute than in Eastleigh. Furthermore, since the Eastleigh Local Plan Examination report there have been a number of further Local Plan Examination decisions that have determined market signals uplifts of up to 25%.

Table 7.1: PPG HEDNA and Milton Keynes SHMA (February 2017)

<table>
<tr><th colspan="3">PPG ID 2a 015 to 020 (HEDNA)</th><th>SHMA (2017)</th></tr>
<tr><td colspan="3">Latest DCLG household projections starting point</td><td>2014-based, up to date at the time the assessment was carried out.</td></tr>
<tr><td rowspan="4">Adjustments to projections</td><td rowspan="3">1. Demography</td><td>A. Household formation (ID2a 015, 016) may have been supressed historically by undersupply and worsening affordability of housing. As a result, the CLG household formation rate projections may also be suppressed. If so they must be adjusted upwards so that the suppression is removed.</td><td>Fails to fully investigate and address projected suppressed household formation</td></tr>
<tr><td>B. Migration and population change (ID2a 016, 017). Sensitivity testing of local migration and population change, taking account of the most recent demographic evidence from ONS.</td><td>Alternative population projections presented, based on migration assumptions tested and presented, using up to date demographic evidence.</td></tr>
<tr><td>1. Gives rise to the ‘demographic OAHN’</td><td>Demographic OAHN underestimated, because no uplift for suppressed household formation applied.</td></tr>
<tr><td colspan="2">2. Future job growth (ID2a 018) based on past trends and or projections should be taken into account. The OAN must be capable of accommodating the supply of working age population that is economically active (labour force supply), if it does not them it should be adjusted upwards.
2. Gives rise to the ‘future jobs OAHN’</td><td>Future job growth is underestimated, which in turn underestimates number of homes need</td></tr>
<tr><td colspan="2">3. Market signals (ID2a 019, 020) of undersupply relative to demand that are worsening trigger an upward adjustment to planned housing numbers that are based solely on household projections. The more significant the affordability constraints, the larger the additional supply response should be.
3. Gives rise to the ‘market signals uplift’</td><td>Worsening market signals are observed, particularly related to price, but uplift is insufficient</td></tr>
<tr><td colspan="3">Full objectively assessed housing need (FOAHN) (Overall housing need)</td><td>For the reasons identified above (1a, 2 and 3) the SHMA underestimates FOAHN for housing</td></tr>
</table>

7.20 We appreciate that the PPG HEDNA leaves a gap as to what defines an appropriate uplift and in the absence of any guidance we have considered a number of alternative approaches that seek to improve affordability. The approaches we have considered (Planning for the Right

Homes in the Right Places, OBR/University of Reading, LPEG, Redfern, Barker and NHPAU) would result in an OAHN for Milton Keynes of between 1,846 and 2,791 dwellings per annum – all in excess of the SHMA's full OAHN for Milton Keynes of 1,766 dwellings per annum (26,493 total dwellings) over the period 2016-2031. The OBR/University of Reading price elasticity calculator endorsed in Mid Sussex shows how 2,087 dpa would be required to maintain the median affordability ratio at 2016 levels.

iv) Summary and Way Forward

7.21 The SHMA presents the full OAHN for Milton Keynes as 26,493 dwellings (2016-2031), equivalent to 1,766 dwellings per annum. This report has identified that the SHMA's assessment of housing need provides an underestimate of housing need in Milton Keynes for the following reasons:

- Fails to fully investigate and address projected suppressed household formation;
- Underpinned by a conservative assumption of future job growth; and
- Insufficient uplift in response to worsening market signals.

7.22 It is important to note that the conclusions reached in this report are based on the evidence available from the Council and other publicly available information. We recommend further sensitivity testing to address the weaknesses identified in the SHMA, which may result in an increase to Council's OAHN.

APPENDIX 1

PLANNING FOR THE RIGHT HOMES IN THE RIGHT PLACES: CONSULTATION PROPOSALS

PLANNING FOR THE RIGHT HOMES IN THE RIGH PLACES CONSULTATION PROPOSALS

Introduction

The Department for Communities and Local Government (DCLG) published the *'Planning for the Right Homes in the Right Places'* consultation on 14 September 2017. The consultation carries forward the commitment of the Housing White Paper to tackle the acute shortage of housing supply in the country and the significant worsening of affordability outlined in the Housing White Paper.

The consultation is of direct relevance to the existing PPG's approach to establishing full OAHN. As part of the consultation the Government have published a proposed standard approach to establishing local housing need (currently the OAHN). This is intended to replace the existing methodology set out in section ID2a of the PPG entitled 'Housing and Economic Development Needs Assessments' (HEDNA) which the consultation suggests *"leaves substantial room for interpretation"* as it is currently drafted. In short, the Government intend the proposed methodology to provide a *"simpler, quicker, and transparent"* approach to assessing local housing need.

Proposed Standardised Housing Need Figure for Oxfordshire HMA

The consultation proposals, if formally adopted without amendments, would result in a three-stage approach to determining OAHN as follows:

1. 'Setting the baseline' (paragraphs 16-17): Average of the most recent official household projections over 10 years (Currently 2016-2026). For Milton Keynes this equates to **1,499 households per annum**;
2. 'An adjustment to take account of market signals' (paragraphs 18-24): Based on the median affordability ratio for the most recent year available (2016). For Milton Keynes the median affordability ratio in 2016 was **7.54**.

   The equation for determining the uplift in market signals is set out in paragraph 21 of the consultation proposals, and results in an uplift of **332 homes per annum** in Milton Keynes.

   This uplift represents a 22% increase from Step 1, and is to be added to the baseline need at step 1, i.e. **1,499 + 332 = 1,831 homes per annum** in Milton Keynes.
3. 'Capping the level of any increase' (paragraph 25): The consultation proposals state how a cap will be applied to the housing need figure, based on the status of the Local Plan. In the case of local authorities where the latest Plan has been adopted **within** the last 5 years old (as is the case in Milton Keynes), the Government's proposals state the new housing need figure should be capped at 40% above the Plan figure despite what steps 1 and 2 may show. However

this cap is not required as steps 1 and 2 do not result in an uplift of 40% or more beyond Milton Keynes adopted Plan figure of 1,750 homes per annum. The standard method figure therefore remains at **1,831 homes per annum**.

APPENDIX 2

AFFORDABILITY CALCULATOR

Median Affordability Calculator

Milton Keynes

Earnings rate of increase =	1.031	(OBR March 2017)														
Housing Price rate of increase =	1.048	(OBR March 2017)														
***Number of homes taken from 2016 Council Tax Base**																
Implicit dwelling growth in OBR model	1170	per annum	(2016-2031)													
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Median Earnings	32,497	33,504	34,543	35,614	36,718	37,856	39,030	40,240	41,487	42,773	44,099	45,466	46,876	48,329	49,827	51,372
Median House price	245,000	256,760	269,084	282,001	295,537	309,722	324,589	340,169	356,497	373,609	391,543	410,337	430,033	450,674	472,307	494,977
Number of homes* (assuming 1% growth as per OBR)	108,981	110,071	111,172	112,283	113,406	114,540	115,686	116,842	118,011	119,191	120,383	121,587	122,803	124,031	125,271	126,524
Median affordability Ratio	7.54	7.66	7.79	7.92	8.05	8.18	8.32	8.45	8.59	8.73	8.88	9.03	9.17	9.33	9.48	9.64
Total annual dwelling increase =	1766	per annum	(Local Plan target)													
No. of houses	108,981	110,747	112,513	114,279	116,045	117,811	119,577	121,343	123,109	124,875	126,641	128,407	130,173	131,939	133,705	135,471
Increase in supply above baseline assumption		0.6%	1.2%	1.8%	2.3%	2.9%	3.4%	3.9%	4.3%	4.8%	5.2%	5.6%	6.0%	6.4%	6.7%	7.1%
Price change (assuming -2.0)		-1.2%	-2.4%	-3.6%	-4.7%	-5.7%	-6.7%	-7.7%	-8.6%	-9.5%	-10.4%	-11.2%	-12.0%	-12.8%	-13.5%	-14.1%
Median House price including reduction	245,000	253,605	262,591	271,976	281,782	292,033	302,752	313,964	325,695	337,975	350,833	364,301	378,412	393,202	408,708	424,970
New ratio	7.54	7.57	7.60	7.64	7.67	7.71	7.76	7.80	7.85	7.90	7.96	8.01	8.07	8.14	8.20	8.27
Dwellings required to keep affordability ratio constant =	2087	per annum														
No. of houses	108,981	111,068	113,154	115,241	117,327	119,414	121,501	123,587	125,674	127,760	129,847	131,934	134,020	136,107	138,194	140,280
Increase in supply above baseline assumption		0.9%	1.8%	2.6%	3.5%	4.3%	5.0%	5.8%	6.5%	7.2%	7.9%	8.5%	9.1%	9.7%	10.3%	10.9%
Price change (assuming -2.0)		-1.8%	-3.6%	-5.3%	-6.9%	-8.5%	-10.1%	-11.5%	-13.0%	-14.4%	-15.7%	-17.0%	-18.3%	-19.5%	-20.6%	-21.7%
Median House price including reduction	245,000	252,110	259,486	267,144	275,098	283,364	291,957	300,896	310,199	319,886	329,978	340,497	351,467	362,913	374,862	387,342
New ratio	7.54	7.52	7.51	7.50	7.49	7.49	7.48	7.48	7.48	7.48	7.48	7.49	7.50	7.51	7.52	7.54

APPENDIX 2

Figure 1: Condensed Commuting Matrix (2011 Census position)

		Place of Work		Resident based		
		Milton Keynes	**Other**	**A.** Total Employed Residents (2011, number)	**B.** Work in home district (rate)	**C.** Work elsewhere (rate)
Usual Residence	**Milton Keynes**	100,056	28,182	128,238	78.02%	21.98%
	Other	44,518	-			
Milton Keynes workplace based	**D.** Total Employed in District (2011, number)	144,574			**Commuting ratio:**	
	E. Originate from home district (rate)	69.21%		**number based**	**A / D =**	0.89
	F. Originate from elsewhere (rate)	30.79%		**rates based**	**E / B =**	0.89

Figure 2: Projected Growth in Employed Residents (Figure 1 based; 27,516 jobs)

		Place of Work		Resident based		
		Milton Keynes	**Other**	**A. Projected Growth** in Employed Residents (number)	**B.** Work in home district (rate)	**C.** Work elsewhere (rate)
Usual Residence	**Milton Keynes**	19,043	5,364	24,407	78.02%	21.98%
	Other	8,473	-			
Milton Keynes workplace based	**D. Projected Employment Growth** (number)	27,516			**Commuting ratio:**	
	E. Originate from home district (rate)	69.21%		**number based**	**A / D =**	0.89
	F. Originate from elsewhere (rate)	30.79%		**rates based**	**E / B =**	0.89

Figure 3: Projected Growth in Employed Residents (Figure 1 based; 30,784 jobs, assuming 3.5% double-jobbing)

		Place of Work		Resident based		
		Milton Keynes	**Other**	**A. Projected Growth** in Employed Residents (number)	**B.** Work in home district (rate)	**C.** Work elsewhere (rate)
Usual Residence	**Milton Keynes**	21,304	6,001	27,305	78.02%	21.98%
	Other	9,479	-			
Milton Keynes workplace based	**D. Projected Employment Growth** (number)	30,784			**Commuting ratio:**	
	E. Originate from home district (rate)	69.21%		**number based**	**A/D =**	0.89
	F. Originate from elsewhere (rate)	30.79%		**rates based**	**E/B =**	0.89

Figure 4: Projected Growth in Employed Residents (SHMA commuting assumption, 27,516 jobs)

		Place of Work		Resident based		
		Milton Keynes	**Other**	**A. Projected Growth** in Employed	**B.** Work in home district	**C.** Work elsewhere (rate)
Usual Residence	**Milton Keynes**	19,043	4,663	23,706	80.33%	19.67%
	Other	8,473	-			
Milton Keynes workplace based	**D. Projected Employment Growth** (number)	27,516			**Commuting ratio:**	
	E. Originate from home district (rate)	69.21%		**number based**	**A / D =**	0.86
	F. Originate from elsewhere (rate)	30.79%		**rates based**	**E / B =**	0.86