

MILTON KEYNES:

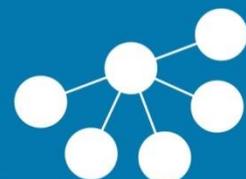
**MAKING A  
GREAT CITY  
GREATER**

Commission Working Paper 8  
**Housing in Milton Keynes**

Shared Intelligence

Milton Keynes Futures 2050 Commission





SHARED INTELLIGENCE

## **CWP8 Housing**

**JUNE 2016**

## HOUSING IN MILTON KEYNES

### COMMISSION WORKING PAPER 8

1. This Working Paper identifies the strategic housing choices facing Milton Keynes (MK). It draws on the evidence prepared for Plan:MK including the Topic Paper on Growth in Housing<sup>1</sup> and the Strategic Housing Market Assessment 2013 (SHMA).<sup>2</sup> It also draws from a range of studies into wider national trends.
2. This Working Paper comprises four sections:
  - The Longer View and the Housing Challenge Facing England;
  - Housing in Milton Keynes Today;
  - Going Forward: Current Plans; and
  - Big Choices for the Future.
3. The final section sets out some matters that the Commissioners may wish to consider in building a preferred vision.

#### THE LONGER VIEW AND THE HOUSING CHALLENGE FACING ENGLAND

##### Trends in Housing to 2050

4. Most of the homes that will exist in 2050 in every English city have already been built. Moreover, there have been fundamental changes in how housing is developed, owned and managed in the UK over the past 35 years - and there will continue to be major changes to 2050. Whilst these cannot be predicted with any certainty, it is helpful to understand the current drivers of changes and look forward on this basis. We see at least eight primary trends.
5. First, it appears likely that we will not be **building enough houses to match household growth**, particularly in London and the South East. As discussed further below, in late 2015, the Town and Country Planning Association published a study of future dwelling requirements based on the most recent Government household growth projections. They show that the number of households in England will increase by 25% by 2037. Over half of the new houses will be needed in London, the South East, and the East of England. The nation will require some 222,000 homes each year and completions have not come close to this rate for over 25 years.<sup>3</sup>
6. Due to the opposition of many local authorities in the South East to population growth, and the difficulties of building in London, **existing shortfalls against requirements** in these most prosperous areas **are likely to worsen**. In addition, demand for new housing will be strong from middle and higher income households with substantial equity seeking to trade-up to better homes.
7. Second, as a consequence of strong demand exceeding supply, many analysts believe that average UK house prices will continue to grow faster than earnings during the rest of this decade. Affordability indicators (average house prices compared to average earnings) are expected to deteriorate in London and the South East. According to PwC, the average price of a house may

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<sup>1</sup> MK Council, Plan MK: Topic Paper – Issues Consultation [Growth in Housing](#), September 2014

<sup>2</sup> Opinion Research Services for MK Council, Strategic [Housing Market Assessment 2013](#), May 2014

<sup>3</sup> Town and Country Planning Association, Tomorrow Series Paper 17: [New Estimates of Housing Requirements in England](#), 2012 to 2037, 2015.

reach £670,000 in London and £464,000 in the South East in 2020.<sup>4</sup> Over the longer term, however, as in the past it is likely that **house prices will grow at roughly the same rate as earnings.**

8. Third, the belief that **owner occupation is the preferred and a viable tenure for households in the UK** is starting to be challenged. In England, owner occupation peaked in 2002, and by 2012, owner occupation fell to the lowest level since 1988. (Some argue that about 5 million households want to own their home but it is not viable for them to do so).<sup>5</sup>
9. The number of households who **own their home outright** is expected to rise from 8.4million households in 2015 to 10.6 million households by 2025. This will amount to 35% of all owner occupiers. This increase is driven by the rising proportion of over-60 year olds in the UK who are more likely to have paid off their mortgages<sup>6</sup>. As a consequence, some analysts believe that the number of households with mortgages will further decline to 7.2 million by 2025 (from 10 million in 2001). This is also due, of course, to the barriers faced by first time purchasers in many markets.
10. It is now recognised that the demand for owner occupation will not drive the required increase in housing supply. In February 2016, the Lyons Housing Commission Update Report recommended that the Government’s housing strategy needs to be broadened beyond the current focus on home ownership. The focus should be to increase the supply of both market and affordable homes for rent to secure sustainable growth in the housing supply and lasting capacity in the building supply chain.<sup>7</sup>
11. Fourth, these barriers to owner occupation are driving the **growth of the private rented sector** in most housing markets, particularly for younger households – “**generation rent**”. PwC forecasts that an additional 1.8 million households will be renting privately by 2025. This will take the total to 7.2 million households, almost one in four of the UK total. This analysis also includes the forecast that more than half of the households in the 20-39 age band will be renting privately. If this trend continues, and it may not, some believe that in the longer term, half of Britain could be renting within 30 years.<sup>8</sup> Over the past decade, the increase in the private rented stock has mainly resulted from the investments by individual “buy to let” landlords.
12. More recently, financial institutions, such as Legal and General and the Prudential, have started to invest in private rented housing. The Lyons Housing Commission Update Report<sup>9</sup> identifies significant evidence of untapped potential from large private institutions seeking to invest in developing and owning private rented housing.
13. Fifth, there are massive changes in Government policy towards **social housing**. Current Government policy is continuing to reduce grant subsidies available for new social housing in favour of focusing on developing various types of affordable housing for sale.
14. Some forecasters suggest that the number of households in social rented accommodation will remain broadly the same at around 5 million. However, it is likely social housing, as a share of the

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<sup>4</sup> PwC. UK housing market outlook: the continuing rise of the rent generation. 2015

<sup>5</sup> Home Owners Alliance. The death of a dream: the crisis in homeownership in the UK.

<sup>6</sup> PwC. UK housing market outlook: the continuing rise of the rent generation. 2015

<sup>7</sup> Lyons Housing Commission Update report February 2016 – recommendation 1

<sup>8</sup> Inside Housing. “Half of Britain ‘will be renting within 30 years’”. 2014.

<sup>9</sup> Lyons Housing Commission Report – CHECK REFERENCE

total housing stock will decline gradually to 17% in 2025. This is because relatively few new homes for rent from social landlords will be constructed<sup>10</sup>, high value council owned dwellings will be sold, and some tenants will exercise their right to buy their home from their local authority or housing association but many of these may not be replaced. Others predict that the absolute number of tenants of social landlords will decrease. In the past, many municipally developed housing estates were stable, balanced communities but policy changes and the five-year limit on new secure tenancies means this may not be the case in the future.

15. The Lyons Housing Commission Update Report<sup>11</sup> considers the impact on the market of these policies. For example, it notes research from Shelter<sup>12</sup> which states that new starter homes will be unaffordable for families on average wages in 58 local authority areas. Nevertheless, these starter homes can now be treated as a developer's contribution to meeting their requirement to provide affordable housing. Recent research from Saville's<sup>13</sup> have warned that the shift in policy drive from affordable rents to the other forms of tenure and in particular the designation of starter homes as affordable housing is likely to leave a gap in housing provision for those on lower incomes. The Lyons Housing Commission recommends that Government must ensure that the Starter Homes Initiative does not result in a reduction in affordable homes, local authorities need to do more to promote and finance new homes.
16. The Institute for Public Policy Research (IPPR) reminds us that overall shortages of housing have important implications for young people. When a young person cannot gain their own home – to rent or to buy – this will have an impact on their life aspirations, when they start a family, professional ambitions, relationships with parents and partners, and whether they feel they belong to a community.<sup>14</sup>
17. Sixth, there is a growing consensus (at least amongst built environment professionals and in the media) that consumers will be expecting higher standards – **more space, better design, improved energy efficiency, more local parks and sports facilities, and a wider range of community facilities**<sup>15 16</sup>. In addition, there is a growing recognition that we need to take into account, and mitigate, the potential impacts of climate change. In particular, it is imprudent to build homes on locations which are likely to flood. By 2050, those communities which are offering higher standards, in all sectors of the market, and are greener, in all senses, will have a true competitive advantage.
18. Seventh, there is growing interest in the **links between urban design, housing and health** in support of the 'Healthy Cities' agenda. For example, through the Healthy New Towns programme, NHS England is working with the developers of up to ten large development projects to test new ways to improve health through the built environment. As the prospectus for the programme states, new developments "give us the opportunity to radically reshape health and care services, testing what can be achieved with fewer legacy constraints. By keeping people well and providing

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<sup>10</sup> PwC. UK housing market outlook: the continuing rise of the rent generation. 2015

<sup>11</sup> Lyons Housing Commission – Update report February 2016

<sup>12</sup> Starter homes- will they be affordable – Shelter 2015

<sup>13</sup> <http://www.savills.co.uk/research/articles/141285/198958>

<sup>14</sup> IPPR. "No place to call home: The social impacts of housing undersupply on young people". 2012

<sup>15</sup> For example: The Royal Academy of Arts. "Four vision for the Future of Housing". Event to take place from 7 February to 17 May.

<sup>16</sup> Inside Out. Inside the 'homes of the future'. Broadcasted on BBC, 21 September 2015.

services in better, more productive ways, healthy places to live can also contribute to the long term financial sustainability of the NHS.”<sup>17</sup>

19. Eighth, we are seeing a demographic shift toward **more and more single person households**.<sup>18</sup> The biggest growth in single person households in recent decades was amongst people in the 45 – 64 age group. This is partly due to the increase in the size of that age group population as a whole, and could also be the consequence of more people living as divorced, widowed or who had never married. In this context, there is growing interest in shared housing. In response to this, the HCA’s Affordable Homes Programme 2015 - 18 “encourage[d] providers to bring forward proposals that will meet the needs of vulnerable and older people in mainstream housing, supported housing and specialised housing including shared ownership”<sup>19</sup>
20. These long term trends have important implications for the future of Milton Keynes and we will return to this issue later in this paper.

### **THE HOUSING CHALLENGE FACING ENGLAND TODAY – NATIONAL PICTURE**

21. Nationally, there is cross-party political recognition that the nation needs to accelerate the construction of more new homes.<sup>20</sup> In 2015, Government set out a target of 200,000 new homes per year and one million new homes to be built by 2020. Completions were last at this level in 1989.<sup>21</sup> Between 2008 and 2011, there was a very severe decline; since then, completions have started to increase. Yet, in the year to end of June 2015, only 131,500 homes were completed.<sup>22</sup> To achieve the target Government is promoting a very wide range of initiatives (e.g. help to buy support for first time purchasers, starter homes, release of public land, and support for small builders etc.).
22. Also, the Government is taking “tougher action to ensure that local authorities are using their powers to get local plans in place and make homes available for local people, intervening to arrange for local plans to be written where necessary”.<sup>23</sup> Government is pressing all local authorities to have plans approved or submitted for approval by 2017; these must comply with the National Planning Policy Framework. (As set out below, Milton Keynes’s approved Core Strategy already meets this requirement.)
23. It is important to recognise, however, this **Government target is well below that which is needed to meet future household growth**, not to mention address the backlog of need. Using industry standard methodologies, and the latest (2012) projections of household growth from the Office of National Statistics/CLG, a recent study by Cambridge economists Whitehead and McDonald provides more up-to date estimates of housing requirements to 2037. Published by the Town and Country Planning Association, using CLG’s 2012-based household projections this shows the

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<sup>17</sup> The Forward View into Action: registering interest to join the healthy new towns programme, NHS England, 2015

<sup>18</sup>

<http://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2015-11-05>

<sup>19</sup> Supplementary information concerning housing provision for older and vulnerable people, HCA, 2014

<sup>20</sup> Ibid

<sup>21</sup> Homes & Communities Agency, 2015.

<sup>22</sup> DCLG. Housing Statistical Release. 20 August 2015. House Building: June Quarter 2015, England.

<sup>23</sup> HM Treasury. Fixing the foundations: creating a more prosperous nation, 2015.

need to build **222,000 nationally each year to meet rising demand**. This excludes any requirements arising from shortfalls in completions over the past 5-10 years.

24. As yet, there is little industry confidence that completions will increase to meet either the Government's target of 200,000 homes per annum to 2020, not to mention the more accurate requirements of 222,000 per annum. Moreover, it is important to note that the most recent projections of household growth were when the economy was in recession and household formation rates were low. As the economy continues to strengthen, it is likely that household formation rates will increase again and this will boost estimates of housing requirements.
25. There is an open debate about the role of housebuilders in meeting housing demand and, in particular, how the development industry could do more to tackle under-supply. Housebuilders have, for many years, struggled to recruit the numbers of people with the right skills that they need. A 2015 LGA report stated that "employment in the construction sector is growing at a slower rate than in the economy as a whole despite it being a major contributor to growth. Record low numbers of construction workers are unemployed, suggesting little spare labour capacity". As a whole, the construction industry's recruitment need went from 20,050 in 2013 to 44,690 in 2015.<sup>24</sup>
26. Other voices cite different reasons for any potential under-delivery of homes. A recent investigation by a national newspaper concluded that major developers were "sitting on 600,000 plots of land".<sup>25</sup> The report claimed that they were 'land banking', which some claim is a way to stifle supply in order to keep house prices high. Organisations like the Home Builders Federation have previously disputed such claims, arguing that only a very small percentage of the land held by developers comes with actionable planning permission.<sup>26</sup>
27. Irrespective of the cause, the main consequence of not building enough housing is that housing becomes more expensive. Generally, in the UK housing costs have been rising at a faster pace than incomes. House prices have doubled over the last 15 years while average incomes have only increased by 28 per cent.<sup>27</sup> The Organisation for Economic Cooperation and Development (the OECD)<sup>28</sup> and the International Monetary Fund (the IMF) agree that house prices in the UK are too high in relation to wages.<sup>29</sup> The Royal Institute of Chartered Surveyors warns that house prices will continue to rise across the UK until more homes are put on the market.<sup>30</sup>
28. The Government's 2015 productivity plan, Fixing the Foundations: Creating a More Prosperous Nation, recognises that the housing shortage harms productivity and restricts labour market flexibility.<sup>31</sup> For many, high housing costs act as a severe barrier for those living elsewhere in the UK to move to take up a new job in London or the South East. Indeed, housing costs have been identified as the biggest threat to economic competitiveness by the London Chamber of

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<sup>24</sup> Skills to build: creating the jobs and houses our communities need, LGA, 2015

<sup>25</sup> <http://www.theguardian.com/society/2015/dec/30/revealed-housebuilders-sitting-on-450000-plots-of-undeveloped-land>

<sup>26</sup> <http://www.hbf.co.uk/media-centre/news/view/land-banking-anti-development-lobby-myth/>

<sup>27</sup> Alder, T. "Arrested Development: Are we building housing in the right places? London: Centre for Cities. 2012

<sup>28</sup> <http://www.oecd.org/eco/outlook/focusonhouseprices.htm>

<sup>29</sup> <https://www.imf.org/external/pubs/ft/scr/2014/cr14234.pdf>

<sup>30</sup> House of Commons.

<sup>31</sup> HM Treasury. Fixing the foundations: creating a more prosperous nation, 2015.

Commerce<sup>32</sup> and the majority of London businesses highlight the cost of and access to housing as obstacles to recruitment.<sup>33</sup>

## THE HOUSING CHALLENGE FACING LONDON AND THE SOUTH EAST

29. The housing challenges facing London and the South East are severe and likely to get worse. This results from recent and forecast population growth, shortfall in housing completions, and shortage of land allocated for housing. We examine each of these issues in turn below and then consider the affordability challenge facing many households.
30. In 2015, using the central projection in the latest demographic forecasts prepared by the Greater London Authority (GLA), London First advised that “London’s population will grow by 3.1 million people by 2050. This is an increase of 37 per cent on the 2011 population, to 11.27 million in 2050.”<sup>34</sup> The most recent strategic housing market assessment prepared for the GLA shows that to accommodate this forecast population growth, housing requirements will range between 49,000 and 62,000 homes per annum.<sup>35</sup>
31. However, housing completions are not approaching this annual rate and there is no evidence that they will match these forecast requirements in the foreseeable future. Over the decade to 2015, an average of around 19,400 new homes were built in London each year (When conversions are taken into account, the net increase in the stock is still below 25,000 homes per annum.) This is well below the post-war peak of 37,400 homes in 1971. Indeed, the greatest London housebuilding boom was in the 1930s with an average of around 66,000 homes a year built over the decade.<sup>36</sup>
32. In response to this challenge, London First proposes that local planning authorities in Greater London and beyond should “review their Green Belt and consider how land within it that is of poor environmental quality, of little or no public benefit and has good connectivity could be re-designated for high-quality and well-designed residential development.”<sup>37</sup> Some authorities in London and the South East are now undertaking such reviews.<sup>38</sup> Whilst it would be unwise to anticipate the outcome of these Green Belt reviews, it appears possible that some local planning authorities will release some land in London’s Green Belt for housing over the next decade. This will be a long slow process and it is not possible to be confident that this will be sufficient to meet the shortages of housing land in London itself.
33. Looking at the country as a whole, some 55% of all of the additional homes needed in England will have to be built in London, the East and the South East of England.<sup>39</sup> The Outer London

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<sup>32</sup> London Chamber of Commerce and Industry. Getting our house in order: the impact of housing undersupply on London businesses. 2014.

<sup>33</sup> <http://www.cbi.org.uk/about-the-cbi/uk/London/London-business-survey/>

<sup>34</sup> These forecasts were used in the London Infrastructure Plan 2050: A Consultation, Mayor of London, July 2014 and include low forecast of 9.5m to a high forecast of 13.4m people by 2050 as summarised in The Green Belt: A Place for Londoners, London First (with Quod and SERC), London, p4.

<sup>35</sup> Ibid, p5

<sup>36</sup> Greater London Authority, Housing in London 2015, September 2015, pp 14-15.

<sup>37</sup> Ibid, p2

<sup>38</sup> References to latest statements on Green belt review and examples from ROSE

<sup>39</sup> Town and Country Planning Association, Tomorrow Series Paper 17: New Estimates of Housing Requirements in England, 2012 to 2037, 2015, p3

Commission notes that part of the Mayor’s approach to managing the stock shortage in London will involve working with agencies and local authorities in the wider South East and identifies ‘London-to-Milton Keynes’ as a key potential ‘growth corridor’.<sup>40</sup>

34. The overall shortage of housing in London, and in many communities in the South East, is making it impossible for many households to buy their own home. Indeed, now, the majority of households in the capital now rent their homes, either from a social landlord or from a private landlord.<sup>41</sup> By 2025 it is estimated that only 1 in 20 Londoners under 35 will be able to satisfy their ambitions for home ownership<sup>42</sup>.
35. These shortages are already pushing many households out of London to communities where housing is more affordable and this is likely to continue for the foreseeable future. According to Hampton’s International, as reported in The Guardian, the “number of people selling up and moving out of London leaped by two-thirds in 2015, as homeowners cashed in on the capital’s high house prices or escaped to more affordable parts of the country.” Some 63,000 households bought homes outside the capital, the highest level since 2007 when 100,000 households moved out. Last year, almost nine out of 10 of these bought elsewhere in the south of England.<sup>43</sup>
36. This trend shows no signs of abating. A 2015 IPSOS Mori survey for London Councils, as reported in the Evening Standard, indicated that “more than a third of all people living in the capital were actively considering taking a job elsewhere because of high housing costs. This rose to almost half among private renters. People aged 18-34 were more likely to be stressed and considering leaving London, creating potential recruitment problems for many employers.”<sup>44</sup> <sup>45</sup> In London the difficulty of delivering the required number of affordable homes is also a recognised problem.<sup>46</sup>  
<sup>47</sup>
37. Milton Keynes has been consistently identified in national and London media as an attractive alternative location for people in the capital looking for their first step onto the property ladder.<sup>48</sup> Investors in buy-to-let properties are also likely to focus on destinations within the London commuter belt. Milton Keynes presents an especially attractive offer to these people with annual rental values growing faster than all other South East urban locations other than Oxford.<sup>49</sup>
38. **Commission Working Paper 7 (CWP7): Milton Keynes and its Sub Region** explores in more detail the wider economic-geography context for Milton Keynes. The city is the emerging hub of the Cambridge – Milton Keynes – Oxford arc the most significant growth area for jobs and housing development in the UK. All three cities are also members of the Fast Growth Cities Group, along

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<sup>40</sup> <https://www.london.gov.uk/file/324526/download?token=CoFbrLqD>

<sup>41</sup> Home Owner Alliance

<sup>42</sup> <http://www.resolutionfoundation.org/publications/living-standards-2016/>

<sup>43</sup> “More selling up and moving out of London,” The Guardian, 26 December 2015, London, p19

<sup>44</sup> “Soaring housing costs mean third of people ‘want to leave London,’ “Evening Standard, 22 October 2015, London p 24.

<sup>45</sup> London Councils 2015: Survey of Londoners - Summary report of findings, October 2015

<sup>46</sup> <http://www.ft.com/cms/s/2/8ef50668-63b3-11e5-9846-de406ccb37f2.html#axzz41qKfVdKD>

<sup>47</sup> [http://www.tcpa.org.uk/data/files/Housing\\_Reg-Final.pdf](http://www.tcpa.org.uk/data/files/Housing_Reg-Final.pdf) (table 7; pg. 17)

<sup>48</sup> <http://www.telegraph.co.uk/finance/property/house-prices/12127699/Priced-out-of-London-Heres-where-first-time-buyers-can-ACTUALLY-buy.html>

<sup>49</sup> <http://www.telegraph.co.uk/finance/property/11779075/Revealed-The-5-best-cities-for-growth-in-rents-over-the-last-year.html>

with Swindon and Norwich. These cities perform strongly on a range of economic indicators, including productivity and share of knowledge-based jobs. Their ability to attract these knowledge-based businesses puts them in a strong position to continue to grow in the future.<sup>50</sup> Milton Keynes is also a member of the South East Midlands Local Economic Partnership (SEMLEP). The SEMLEP Strategic Economic Plan (SEP) commits all the local authorities in SEMLEP to delivering further 86,700 new homes by 2020/21 to accommodate an increase in population of 151,400 with 111,200 new jobs.<sup>51</sup>

39. For the immediate future, therefore, Milton Keynes, and the communities in the wider SEMLEP area, are committed to promoting both housing and economic growth – and to accommodate demand arising from housing shortages in London and elsewhere in the South East.

## HOUSING IN MILTON KEYNES TODAY

### A POPULAR LOCATION

40. In 2014, some 259,000 people lived in MK as a whole in almost 99,000 households. Over the ten years to 2014, **the city's population increased twice as fast** (18.1%) as that of the South East region as a whole (9.1%) and even faster when compared with England (8.2%).<sup>52</sup> The average size of MK households – 2.50 people per household – is significantly larger than in England as a whole at 2.36 people per household.
41. A recent survey also found that Milton Keynes was one of the ten most popular areas that households were considering when planning to move.<sup>53</sup> In the year preceding the 2011 Census, some 12,700 people moved into MK and some 3,800 left, giving net in-migration of some 8,900 people.<sup>54</sup> Of all the in-migrants, some 9,800 moved to MK from within the UK, while 2,900 moved from outside the UK.<sup>55</sup> In terms of ethnicity, at the 2011 Census, some 20% of MK's population have a Black and Ethnic Minority background, by comparison with 14.6% in England as whole.

### TENURE

42. In 2011, the Census reported that **64.5% of the households in MK owned their home**; just below the percentage (65.5%) for England as whole. **16.6% of households rented from social landlords**; this is in line with the share of England as a whole (16.5%) but higher than in the South East (13.1%). The proportion of households privately renting their home in the city was significantly higher (18.5%) than nationally (16.9%) or in the South East (16.4%).<sup>56</sup> Thus, in MK, nearly **one in five homes** are in the private rented sector.
43. The vast majority of the homes in MK were built after 1960 with around a third of the stock being built after 1993. Milton Keynes has a history of innovative and ambitious design and celebrated these achievements with the 'Home World' and 'Energy World' exhibitions. However, as set out below, many of the homes on the older estates are in need of significant investment to bring

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<sup>50</sup> M. Williams, *Fast Growth Cities: The opportunities and challenges ahead* (Centre for Cities, 2016).

<sup>51</sup> *Ibid.*, p. 3.

<sup>52</sup> ONS Population Estimates. 2014

<sup>53</sup> <http://www.homesandproperty.co.uk/property-news/property-hotspots-2016-bexley-continues-to-top-national-index-while-ipswich-milton-keynes-and-medway-a100521.html>

<sup>54</sup> ONS Census 2011

<sup>55</sup> ONS Census 2011

<sup>56</sup> ONS Census 2011. Tenure.

them up to modern standards. The new MK Regeneration partnership will be addressing these challenges on seven of the city's older estates.

44. The balance of stock on offer in Milton Keynes has implications for the choices available to residents and those choosing to relocate in the city. These implications are also relevant to investors. Milton Keynes has a higher share of housing stock for detached, semi-detached and terraced housing (76%) compared to the South East proportion of 68%. The share of bungalows and flats / maisonettes is correspondingly lower, with 1 bedroom properties representing 11% of the stock. Any future Strategic Housing Market Analysis (SHMA) will need to forecast likely housing stock requirements and in the longer term the housing stock composition may start to change.

#### **HOUSE PRICES AND AFFORDABILITY**

45. In 2013, the average ratio of median house prices to earnings – a common measure of affordability – was 6.4 in MK.<sup>57</sup> By comparison, this ratio was 10.4 in inner London and 9.1 in outer London. The average private rent for all property types in MK (£757 per month) in mid-2014 was also much lower than in most communities in the South East and in London.<sup>58</sup>
46. This helps to explain why Milton Keynes is a popular location for many households seeking to buy their first home or trade up to a larger home. However, house prices in Milton Keynes are rising rapidly. Between 2010 and 2015, the growth in average house prices was 19.8% in MK, almost double the national average (9.8%).<sup>59</sup>
47. The 2013 SHMA identified the need for some 35% of new housing to be built as affordable housing including social rent, and various forms of shared ownership. Between 2008 and 2014, some 29% of total completions were classified as affordable housing.
48. Milton Keynes Council is commissioning a strategic housing market assessment update (SHMA). This will define the scale and mix of new housing that will be required over the next decade. In particular, it will address the balance between affordable and full-market housing. In light of the reductions in the Government grant subsidies available for social housing, the update is likely to show that it will be difficult **to demonstrate how the needs of low and moderate income households now in the city, or seeking to move to the city, will be met.** The updated SHMA will also consider the scale of the need for different types of specialist accommodation for **older people** in MK, the need for supported accommodation for vulnerable people, and other **special needs.**
49. It is also important to recognise that welfare reforms – including changes in the Local Housing Allowance and, in due course, the introduction of Universal Credit, will impact on MK as they will impact on all communities. While the full implications are not yet known, there is a risk that private landlords may reconsider whether to lease their properties to tenants in support of benefit. The reforms may also impact on the landlords' willingness to invest in the maintenance and repair of their properties.

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<sup>57</sup> DCLG. Table 577. Ratio of median house price to median earnings by district.

<sup>58</sup> VOA

<sup>59</sup> Land Registry

## **OVERCROWDING, HOMELESSNESS AND THE HOUSING OPTIONS AND ALLOCATIONS SCHEME**

50. A household is deemed to be living in an overcrowded dwelling when it is occupying a home with too few bedrooms.<sup>60</sup> In 2011, 4,900 households (5.0%) were overcrowded in Milton Keynes.<sup>61</sup> This is higher than the national average (4.6%). Overcrowding has been increasing since 2001 and is more common in the private rented sector. This is particularly true for HMOs, which have seen a *rate of increase* in overcrowding over five times the average for all households in the city.<sup>62</sup>
51. In 2014 Milton Keynes Council adopted a Housing Options and Allocations scheme.<sup>63</sup> This guides how the Council responds to everyone who approaches the Council for assistance with housing, including current social housing tenants seeking a transfer. The scheme is designed to provide assistance to and advice to everyone, as well as the allocation of property to people who meet the allocation criteria.
52. Homelessness is a growing problem in Milton Keynes. In 2014/15, Milton Keynes Council accepted responsibility for accommodating 672 households as being homeless and in priority need in the financial year. This is equivalent to 6.5 homeless households per 1,000 households and is significantly higher than the national position (2.4 homeless per 1,000 households).<sup>64</sup>

## **STANDARDS OF EXISTING AND NEW HOUSING**

53. In the 1970s and early 1980s, the Milton Keynes Development Corporation (MKDC) developed social housing using a wide range of innovative designs and methods of construction. Some were not as successful as others and additional investments were required to remedy failures.
54. Also, MKDC built a national reputation for promoting high quality innovative housing designs more generally. This included establishing the National Energy Foundation to promote and best practice in energy conservation. Both the 'Home World' and 'Energy World' exhibitions were extremely successful efforts to prompt leading architects, developers and purchasers to embrace bold designs. The City will be 50 years old in 2017. Milton Keynes Council and Milton Keynes Development Partnership are now considering whether to promote a new similar exhibition as part of the celebrations.
55. Today, some in Milton Keynes are concerned that Milton Keynes Council is less committed to the pursuit of quality in design and construction. They argue that private developers now determine the quality of the new housing being built, and normally use standard house types available anywhere.
56. On the other hand, many of the planning policies in the Council's Core Strategy are good examples of "place making," and, in broad terms, the Council is committed to reducing the City's carbon footprint. MK Low Carbon Living promotes actions to reduce CO2 emissions, which are currently higher in Milton Keynes than the South East England average. The aim is to reduce carbon

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<sup>60</sup> For each household, a bedroom occupancy is derived by subtracting the notional number of bedrooms recommended by the bedroom standard from the number of bedrooms actually available. The recommended notional number of bedrooms is based on the size of the household, age, sex, marital status and relationship among members of the household.

<sup>61</sup> ONS Census 2011

<sup>62</sup> Milton Keynes annual housing report 2014-15

<sup>63</sup> MKC Housing Option and Allocations scheme 2014

<sup>64</sup> DCLG. Live Table on homelessness.

emissions per person by 40% by 2020 and place the city at the forefront of low carbon living.<sup>65</sup> MK:Smart is a smart cities partnership led by the Open University to test and apply innovative energy, water and transport management. All of these measures will impact on housing design and development.<sup>66</sup> A practical example includes Passivhaus ('Passive House') standard housing developed in 2012 by the Milton Keynes Park Trust in 2012.

57. In terms of Milton Keynes current housing stock, there is no detailed information available on standards of privately rented, or owner occupied housing. According to the DCLG data, of the 11,314 social rent homes owned by MK Council, some 1,380 do not pass the Government's decent homes standard (By comparison, a slightly higher proportion of Northampton's council stock failed this standard while all of Swindon's homes met standard).<sup>67 68 69</sup> It is very likely that a large proportion of the homes that fail the decent homes standard are on the estates that are the focus of the Regeneration MK Partnership.

### **REGENERATION MK PARTNERSHIP**

58. Several years ago, Milton Keynes Council launched its first Regeneration Strategy setting out a bold and ambitious programme to transform the quality of life and life prospects of the most deprived residents in the city.<sup>70</sup>
59. The programme is focused on seven priority estates where the poorest communities are found. These estates are Beanhill; Netherfield; Coffee Hall; Fullers Slade; Lakes Estate; North Bradville; and Tinkers Bridge. These areas contain 6,600 homes in total. Of these, 55.6% are social housing owned by MK Council or a housing association, 15.7% are privately rented (mainly as a result of tenants purchasing their homes under the right to buy and then letting them out) and 28.7% are owner occupied.
60. In December 2015, Milton Keynes Council formally approved the creation of a partnership between the Council and Mears plc to deliver the programme. The partnership will also deliver repairs and maintenance to council-owned properties. The first task is to complete a stock condition survey. In partnership with the communities in those estates, plans for the refurbishment and redevelopment will then be prepared. Overall, it is likely that the Regeneration MK programme will take between 10 and 20 years to complete.
61. The Regeneration MK partnership According to the Government's 2015 Index of Multiple Deprivation (IMD) Milton Keynes is ranked at 181 out of 326 local authorities in England with 1 being the most deprived area. This compares with a rank of 211 in 2010 and a rank of 212 in 2007, so deprivation in Milton Keynes is increasing relative to the rest of England.<sup>71</sup> Bedford, Northampton and Luton have more deprivation than Milton Keynes.<sup>72</sup>

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<sup>65</sup> <http://www.Milton-Keynes.gov.uk/enviornmental-health-and-trading-standards/MK-low-carbon-living>

<sup>66</sup> MKC. MK:Smart Programme <http://www.MKSmart.org>.

<sup>67</sup> MKC Regeneration MK Key Statistics. November 2015

<sup>68</sup> DCLG Local authority housing statistics dataset, England 2013-14. Section F: Condition of dwelling stock

<sup>69</sup> MKC. Assessment of five-year land supply (Appendix 3) June 2015

<sup>70</sup> MKC Neighbourhood Regeneration Strategy 2009. <http://www.Milton-Keynes.gov.uk/assets/attach/4653/regeneration> final PDF 9 April

## **LOOKING FORWARD: PLAN:MK AND PROJECTED DWELLING REQUIREMENTS TO 2031 AND TO 2050**

62. In preparing Plan:MK the Council needs a robust assessment of the city's housing requirements for at least two decades ahead, or even longer depending on the plan period. These are based on population forecasts prepared by the independent Office of National Statistics, household growth forecasts prepared by the Government (CLG), and Milton Keynes Council's own forecasts. Household growth forecasts are built up from forecasts of the natural increase of the population (births minus deaths), household formation rates, and net migration assumptions. (They also indirectly take cognisance of forecast dwelling completions so when using these household growth forecasts to calculate dwelling requirements, there are aspects of the methodology which are circular). These forecasts are used in a strategic housing market analysis (SHMA) to calculate the "objectively assessed need" for dwellings in the future. These assessments include provision for vacancies (to allow the smooth operation of local markets) and various projections of economic growth.
63. The approved Core Strategy covers the period to 2026. The Council is currently planning on the basis that the objectively assessed need for new housing is 1,650 dwellings per annum; the approved Core Strategy sets a target slightly higher than this of 1,750 dwellings per annum.
64. The SHMA update will include a revised assessment of housing requirements. For the period 2031-2050, the Council has not yet published any household growth forecasts, estimates of housing requirements, or completion targets. Very informally, however, it is understood that as a "working assumption" the Council is rolling forward the estimate of annual requirements (a notional objectively assessed need) at 1,650 dwellings per annum and a dwelling completions target of 1,750. This assumes a modest ongoing flow of net in-migration from elsewhere in the UK – mainly London, the South East, and the Midlands; this seems to be a reasonable assumption.

## **RECENT COMPLETION RATES AND REQUIREMENTS GOING FORWARD TO 2026**

65. As noted, the approved Core Strategy target is of 1,750 homes per year between 2010/11 and 2025/26 or 28,000 homes by 2026. In fact, completions to the end of March 2016 are only likely to average of 1,351 homes per annum. Therefore, in light of this shortfall, to achieve the Core Strategy targets by 2026, it will be necessary to increase the average rate of completions to just under 2000 homes per annum over the next ten years.
66. This is a big challenge. At the peak of their investment programme, for a few years, the Milton Keynes Development Corporation (MKDC) achieved slightly over 3,000 homes per annum during a couple of years. This was when a substantial majority of dwellings were being developed by MKDC as social housing. In addition, MKDC was disposing of sites directly to a very wide range of developers in many parts of the city so that it would not be possible for a small number of private developers to exert undue dominance of the market.
67. Taking these factors together, there may be a significant risk that the Core Strategy housing targets may not be achieved by 2026. Whilst this does not, in any way, mitigate the need to select and make plans to deliver new housing in the growth areas beyond 2026 (as set out in Plan: MK Strategic Development Directions Consultation published in January 2016) this potential shortfall does have other implications.

68. Since 2010, the MK economy has generally expanded faster than the city’s housing stock.<sup>73</sup> The 2011 Census showed that 44,500 people commuted into the Borough and 27,800 commuted out, showing a net inflow of some 16,600 every day. It is likely that net in-commuting to MK has increased since then. If job growth remains strong, ongoing shortfalls in housing completions against targets mean that net in commuting will increase. Also, if the supply of affordable housing does not increase substantially, demand for social and private rented housing will continue to remain strong. Current rates of homelessness are likely to continue.

**APPROVED CORE STRATEGY: EXTANT LAND SUPPLY**

69. The approved Core Strategy allocates sufficient land in the city to enable the housing target of 28,000 new additional homes by 2026 to be achieved. The current status of the remaining land supply as identified in the Core Strategy to accommodate the remaining completions is as follows:

	<u>Dwellings</u>
Full permissions	3,707
Outline permissions	11,047
Local Plan Allocations and deliverable	
<u>Brownfield opportunities</u>	<u>7,118</u>
TOTAL	21,872 dwellings capacity <sup>74</sup>

70. In common with all local planning authorities, the Government expects Milton Keynes to have a “five-year land supply” of readily developable sites. This figure is calculated with reference to recent rates of completions and includes a contingency. Over the past year, there have been concerns that the readily available supply has not quite met this criterion. However, the approval of the final Site Allocations Plan (following the current consultation) and Neighbourhood Plans (which have responsibility for short term delivery in rural areas) will lay these fears to rest.

71. Of far more importance is that, given MK’s very high rate of development (even if it is below the Core Strategy targets), it is essential to keep replenishing the forward land supply. That is why MK Council published Plan:MK Strategic Development Directions Consultation and why it is necessary to take decisions on the future scale, rate of location of new development after 2026 in the relatively near future.

**BIG CHOICES FOR THE FUTURE**

72. In preparing their vision for the future of Milton Keynes, and selecting a preferred vision, the Commissioners may wish to consider the following three matters:

**SCALE AND RATE OF HOUSING GROWTH BEYOND 2026 TO 2050**

73. This is one of the most important matters that the Commissioners may wish to consider. On the one hand, the Commissioners might wish to take the “enough is enough” view in that the scale and rate of housing growth beyond 2026 (or 2031) should be sufficient to accommodate the requirements of those who are living and growing up in the city. This is a view that many local authorities in South East England adopt in their planning policies. On the other hand, those people now living in Milton Keynes – and who move here over the next decade will form thousands of new households and the Commissioners might wish to highlight the need the

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<sup>73</sup> reference to follow.

<sup>74</sup> Milton Keynes Council; Assessment of Five Year Land supply. Annual Report published June 2016. Para 2.15

Commissioners to make provision for “indigenous” growth. This will provide significant benefits to existing residents.

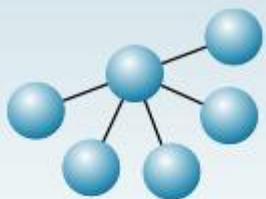
74. Moreover, the Commissioners might wish to suggest that in light of her success so far, Milton Keynes has a strong role to play in contributing to the nation’s economic growth. The City might want to continue to welcome those who cannot find a high quality affordable home in London and elsewhere in the South East.

#### **MK REGENERATION PROGRAMME**

75. In light of the potential transformational impact of the MK Regeneration programme, the Commissioners may wish to put forward suggestion for how the programme might most effectively be delivered. This could include the need to take account of the balance between refurbishment and redevelopment, the density and tenure mix of any new development, and the use of incidental open space and grid road reservations, drawing on the insights gained through the Commission’s wider work programme. It may be that the Commissioners cannot comment on this as they do not have sufficiently detailed information on which to make a judgement.

#### **HOUSING TO STANDARDS FIT FOR THE 21ST CENTURY**

Finally, it is widely recognised that a key to MK’s future prosperity is the quality of the homes and neighbourhoods which are developed. The Commission may wish to consider what policies and/or investments might be required to ensure that the existing homes and neighbourhoods (beyond the MK Regeneration estates) are fit for the 21<sup>st</sup> century and how best to promote high quality, sustainable, low carbon development in both the expansion areas and in the new growth areas.



SHARED INTELLIGENCE

Europoint Centre, 5-11 Lavington Street,  
London, SE1 0NZ  
020 7756 7600  
[www.sharedintelligence.net](http://www.sharedintelligence.net)  
[solutions@sharedintelligence.net](mailto:solutions@sharedintelligence.net)