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Regional Structures: Opportunities and Issues

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1. Purpose

1.1 To highlight to the Committee the current issues for Milton Keynes following the abolition of regional structures and work in progress.

2. Background

2.1 The decision of the government to abolish regional structures and strategies has had, and will continue to have, significant implications for Milton Keynes, particularly when other changes to government spending and structures are taken into account. The work required will be considerable and could lead to substantial exposure for the Council in terms of risk, reputation, costs and legal challenges.

2.2 The implications include:

- (a) The opportunity to review the housing targets in the Core Strategy.
- (b) Changes to funding for growth and regeneration; and as a result of the Comprehensive Spending review, it is likely the level of funding to support growth and development infrastructure will be far below the levels of recent years.
- (c) A change to the working relationships between neighbouring local authorities based on common interest rather than fixed regional boundaries.
- (d) The possibility of a new Local Enterprise Partnership (LEP) covering the South East Midlands; this would replace the current MKSM sub-regional arrangements and cover a slightly different area. The LEP should have strong private sector involvement and ideally a private sector chair
- (e) The LEP is likely to have a significant role in coordinating major funding applications to government.

- (f) The abolition of SEEDA at the same time will, amongst other things, bring in to doubt the future of our Digital Infrastructure Strategy.
- (g) The changing relationship with HCA and MKP will give the Council the opportunity for a more holistic approach to planning, control and delivery of the growth areas of the borough including retention of funding. However, this change in relationship with the HCA and MKP will provide additional workload through putting in place new structures and procedures.

3. **Issues**

Housing growth and the Core Strategy

- 3.1 Following the government's decision in June 2010 to revoke Regional Strategies, the Council took the opportunity to review the housing targets for the Borough in the Core Strategy. These were previously set at regional level in the South East Plan.
- 3.2 The Local Development Framework Advisory Group considered a range of very broad options for the level of future housing growth in the Borough, both higher and lower than the previous target set at regional level.
- 3.3 In September 2010, Council agreed a revised housing target of 28,000 homes for the period 2010 to 2026, based on average of 1,750 new homes per year. This was based on a realistic view of the amount of new housing that is likely to be delivered, based on past performance.
- 3.4 An average of 1,750 new homes per year is consistent with but slightly higher than the average level achieved in the last 5 years (1,660) in difficult market conditions, and also higher than the average achieved over the last 10 years (1,560) and last 20 years (1,610).
- 3.5 Recognising that the new housing target is well below the level of housing need and demand identified in the SHMA, the LDF Advisory Group wanted to see an early review of the methodology and conclusions of the SHMA by the Partnerships and Growth Select Committee.
- 3.6 This would feed into a 'bottom up' assessment of what the Borough and its residents need. This work should also reflect the impact of changing economic conditions and the real economic geography of the emerging Local Enterprise Partnership (LEP), and would feed in to an early review of the Core Strategy once it had been adopted.

Strategic Housing Market Assessment (SHMA) - Policy Background

- 3.7 The Government's guidance on Planning and Housing is Planning Policy Statement (PPS) 3: Housing (3rd Edition). This was updated by the Coalition Government in June 2010 (and thus PPS3 is still in force).

Paragraph 11 deals with assessing housing need and demand as follows:

“Local Development Documents and Regional Spatial Strategies policies should be informed by a robust, shared evidence base, in particular, of housing need and demand, through a Strategic Housing Market Assessment and land availability, through a Strategic Housing Land Availability Assessment.”

3.8 Para 22 of PPS3 is also relevant as it stresses the importance of considering not just the SHMA but *“other local evidence”*

3.9 The Government has also set out a methodology for carrying out SHMAs in Planning Guidance. This is the *‘Strategic Housing Market Assessments Practice Guidance Version 2’* (August 2007). It sets out a **framework** that local authorities can follow to develop a good understanding of how housing markets operate. It promotes an approach to assessing housing need and demand which can inform the development of local development documents for housing policies, as set out in Planning Policy Statement 3: Housing (PPS3).

3.10 The Guidance makes it clear that

“Housing markets are dynamic and complex. Because of this, strategic housing market assessments will not provide definitive estimates of housing need, demand and market conditions. However, they can provide valuable insights into how housing markets operate both now and in the future (page 9)”

Milton Keynes SHMA Update 2009

3.11 In 2006, Opinion Research Services (ORS) Limited completed the Milton Keynes Local Housing Assessment on behalf of Milton Keynes Council and English Partnerships (now Milton Keynes Partnership). The Assessment consisted of the following:

- (a) A 4 year annual rolling programme of personal household interviews (the Household Survey)
- (b) Appropriate secondary data sources (such as the Land Registry, NHS Central Register, ONS Migrations Statistics Unit).

3.12 The Household Survey was conducted between January and March 2006 and a total of 2,424 households were successfully interviewed. The sample was based on a simple random probability selection and identified non-response issues were addressed by a comprehensive statistical weighting process. ORS has noted that with regards to accuracy,

“A random sample should be representative of its population to within specified statistical limits, and the Milton Keynes Local Housing Assessment achieved 2,424 personal interviews with households randomly selected throughout the area. The analysis

for such a sample should represent the entire population of households to within ±2.0% points at the 95% level confidence – that is, if all households in Milton Keynes were interviewed, 19 times out of 20 the results would not differ by more than 2.0% points from the results for the sample. (Milton Keynes Local Housing Market Assessment 2006, page 83, paragraph A11.

- 3.13 The Household Survey was subsequently “topped-up” each subsequent year (2007, 2008 and 2009) by a further random sample of 800 households in each year. This was to maintain the accuracy of the data.
- 3.14 The table below (from Figure 101 of the consultation draft October 2009) sets out the main components of household flows in Milton Keynes over the next five years.

Summary of 5-Year Housing Requirements by Household Flows (Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2007-2009.
Note: Figures may not sum due to rounding)

Housing Type	Inward Flow	Outward Flow	Net Requirement
5-Year Requirement			
Migration – households moving to and from Milton Keynes	19,940	9,665	10,276
Indigenous change – household formations and dissolutions	9,549	2,993	6,556
Established household moves	20,746	20,746	-
Total	50,236	33,404	16,832

- 3.15 ORS notes that “If this number of homes is not provided, one or more flows will have to change. The change in flows could include new households failing to emerge, overcrowding issues failing to be resolved or households leaving the area due to a lack of suitable available housing.”

Housing land supply

- 3.16 Although the housing target in the Core Strategy has been reduced, there is a considerable amount of land that is already committed and available for development, mostly with planning permission already approved.
- 3.17 As at April 2010, there were approximately 16,800 homes with planning permission. The progress of these sites is reviewed each month by the MKC / MKP Joint Housing Delivery Team, with the aim of identifying

and removing any 'blockages' that are preventing sites from being developed.

- 3.18 Subject to the time limits attached to the planning permission, the Council cannot control exactly when these sites will be developed as this will depend on decisions by developers, who will inevitably be reflecting on current market conditions and certainty in the future. This will be dependant on a number of factors.
- 3.19 For those sites that are covered by the Tariff, there is an incentive for developers to bring them forward for development before a 'longstop' date when the remaining Tariff payment becomes due regardless of whether all the houses on the site have been completed or not.
- 3.20 A report to the LDF Advisory Group (9 September 2010) demonstrated that there is just enough land identified within and adjoining in the city to demonstrate a 5 year land supply for housing in accordance with PPS3: Housing, but a shortfall in the remainder of the Borough. The Site Allocations DPD (part of the Local Development Framework) will provide an opportunity to address
- (a) The shortfall in the rest of the Borough; and
 - (b) Whether any additional sites are needed in or adjoining the city to provide some flexibility or contingency in supply if any sites do not progress as forecast, or do not yield the number of homes expected

Local Economic Assessment (LEA)

- 3.21 The LEA is being finalised to go to consultation mid October for 6 weeks. This is an evidence base rather than a strategy document so comments can only be on any gaps and must be based on real evidence. The document itself will be ready on the website in January 2011.
- 3.22 The Economic Development Strategy that will be pulled together from the LEA evidence base and Core Strategy and is scheduled to be considered by Cabinet in March 2011. This will be a high level document that will involve **all** economic development activities.

Jobs / homes ratio

- 3.23 The Core Strategy seeks to ensure that growth is jobs led and that the ratio between new jobs and new housing is 1.5 new jobs per 1 new dwelling. This is not something that will necessarily be achieved each year but will need to be monitored over a period of time.
- 3.24 If the homes / jobs relationship is out of balance, the Council and partners will need to look at ways of supporting and promoting whichever sector is lagging. This will need to be done in conjunction with the Local Enterprise Partnership who will be a key player in

identifying future needs and trends. The announcement on the setting up of the LEP is imminent.

- 3.25 The Council can indirectly influence changes in employment by ensuring sufficient land is available for development, of the right size and in the right place; by working with partners to attract and retain new businesses; and by supporting, wherever possible, the growth of existing companies.

Other factors

- 3.26 There are other factors that will have a role to play:

- (a) The Localism Bill, the Housing Revenue Account reforms and the New Homes Bonus arrangements are likely to come forward in 2011/2012. When further details are known these can be reported to the relevant Committees.
- (b) The role of the Homes & Community Agency, and in particular how and by whom decisions on grant for affordable housing will be made, is currently under review.
- (c) Funding for infrastructure: the total amount of public money available to fund the infrastructure and facilities need to serve new development is likely to be reduced, subject to announcements on the proposed New Homes Bonus. The system for securing developer contributions to such infrastructure (Planning Obligations / S106 agreements) is also changing following introduction of new Community Infrastructure Levy regulations in April 2010. Officers have started to review the existing guidance on planning obligations and are starting to prepare for the possible introduction of a CIL charging schedule in Milton Keynes. This involves extensive consultation across a wide range of local partners and stakeholders.
- (d) The role of Milton Keynes Strategic Housing Partnership / Local Development Framework Advisory Group in monitoring issues regarding development
- (e) The Regional Spatial Strategy also covered other matters such as minerals and provision for Gypsies and Travellers. In view of the abolition of the RSS Milton Keynes Council is:
 - (i) Starting work on new Minerals Development Plan Documents. We have commissioned a study from the British Geological Survey on minerals reserves across the Borough. This will help to inform decisions over the future level of mineral extraction in the Borough.
 - (ii) Continuing to bring forward for development sites allocated for Gypsies and Travellers in the Local Plan, to help meet the need for new sites identified in Gypsy and Traveller Accommodation Assessments for the area. The

government has stated their intention to revise national policy guidance on this issue and also to provide financial incentives to those authorities who develop sites where they are needed as part of the New Homes Bonus

- (f) There is also a requirement for cooperation between local authorities. For MK, existing arrangements such as the cross boundary Member Reference Group (MRG) are continuing pending decisions on the proposed South East Midlands Local Enterprise Partnership. The MRG does not have decision-making powers but meets every 2 months to discuss strategic issues of common interest that cut across local authority boundaries – e.g. at the most recent meeting, progress on East West Rail and the recent NHS White Paper.

4. **Future actions**

- 4.1 It should be noted that many of the factors which will influence growth are currently in a state of flux, but are important in building a picture for the future:
 - (a) The Core Strategy is currently out to consultation and is scheduled to go forward for independent examination early in 2011. Depending on any issues arising from the consultation, a joint meeting could be set up between this Committee and the LDF Advisory Group.
 - (b) ORS be requested to attend future meetings and present the methodology of the SHMA, and to discuss future updates of the SHMA. However, due to budget factors the survey will be run every four years and is not due for updating until 2013. In the light of this, there may be a need for be a joint meeting with this Committee and the LDF Advisory Group to decide on whether this should be brought forward.
 - (c) Following the commencement of the LEA consultation, a briefing can be made to this Committee.
 - (d) The Local Enterprise Partnership (LEP) is also being set up, and engagement needs to made by this Committee with the LEP to confirm the commitment to moving forward on and understanding the jobs/homes ratio
- 4.2 A presentation will be prepared for the Committee on the matters in Section 4, which will allow for a full exploration of the issues and choices involved