

MILTON KEYNES LOCAL HOUSING ASSESSMENT 2007

SUMMARY UPDATE

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Chapter 1: The Study Context

- 1.1 Opinion Research Services (ORS) were jointly commissioned by Milton Keynes Council and English Partnerships to undertake a local housing assessment, including a comprehensive study of current and future housing requirements and housing need. The assessment was undertaken to inform local policies, in particular relating to the housing strategy and investment programme and planning policies surrounding affordable housing provision.
- 1.2 The Milton Keynes assessment was primarily based on the analysis of 800 interviews conducted with households across the borough which were added to 2,400 interviews conducted in 2006. Secondary data from the Housing Corporation, Land Registry and a range of other information also informed the analysis.
- 1.3 The housing requirements assessment was undertaken using the ORS Housing Market Model – which was developed in partnership with Milton Keynes Council and English Partnerships to inform our previous study in 1999 and subsequently used update the findings of this study in 2002. More recently, the model has been further developed in partnership with officers from the Greater London Authority, where outputs from the model formed the basis of the Greater London Housing Requirements Study completed by ORS. The model has also been used by numerous local authorities across the UK.
- 1.4 The study exceeds the standards promoted in all relevant Government Good Practice publications and the model and its analysis has withstood detailed scrutiny at numerous local planning inquiries, including the 2003 Local Plan Inquiry in Milton Keynes.
- 1.5 The study was comprehensive in considering the different components of housing requirements and supply. In addition to households identified as currently being in housing need, the study identified the future housing requirements of established and newly forming households across the area together with inward migrants from within the UK and abroad. These gross housing requirements were offset against the likely supply of housing from within the existing stock to yield a net requirement for additional housing.
- 1.6 The outputs considered household affordability in terms of the ability to afford appropriate market housing, the ability to afford more than social rented housing without being able to afford appropriate market housing, and the inability to afford any more than the appropriate social rent. Therefore the requirements for market housing, intermediate housing and social housing were comprehensively covered.
- 1.7 This report summarises the key findings of the study, in particular where they relate to existing policies or have implications for future policy decisions. |

Data Sources

- 1.8 Whilst the study sought to draw on a wide range of secondary data sources, primary data was also collected through a household survey based on a random sample. The household survey was conducted between January and February 2007 and a total of 800 households were successfully interviewed. This followed an earlier survey in 2006 when 2,400 households were interviewed.
- 1.9 Data from two surveys were added to each other, with the data from 2006 receiving a weighting of two-thirds and then being added to the data from 2007. Therefore, the weighting process implies that the total sample used is the equivalent of 2,400 interviews with the weighted sample from 2006 providing 1,600 of these interviews and the remainder being the 800 interviews conducted in 2007.
- 1.10 Information derived from the weighted data was consistent with reliable comparable data from a range of other secondary sources – including demographic details, data from the 2001 Census, and secondary housing statistics.
- 1.11 All figures from the household survey presented in this report have been grossed-up to represent the overall population – therefore where the report discusses specific numbers of households or dwellings, it is not the number of respondents that is referred to but the number of households or dwellings across Milton Keynes that they represent.
- 1.12 The secondary data sources used included:
- 2001 Census of Population;
 - Database of all property sales maintained by HM Land Registry;
 - Information on existing stock maintained by Valuation Office Agency;
 - Details on local properties from the Royal Mail Small User Postal Address File (PAF);
 - HSSA submissions;
 - Housing Corporation publications from Registered Social Landlord CORE logs (Continuous Recording) and other statistical returns; and
 - Local authority housing and planning administrative records.
- 1.13 All secondary data sources used sought to correspond with the date of the primary data collection, and a reference point of March 2007 (or the nearest available date to this point) is the basis for all sources. This is also the base date for the study projections.

Chapter 2: Housing Market

Housing Sales

2.1 Figure 1 shows the average property prices in Milton Keynes for each quarter from the second quarter of 2000 until the first quarter of 2007. It should also be noted that discounted local authority properties bought under 'right-to-buy' are not included in the statistics.

2.2 During this time period the average property price in Milton Keynes rose by 96%. Much of the increase in property prices occurred between 2001 and 2004, with average prices in 2005 remaining more stable before starting to rise again in 2006.

2.3 Beyond looking at the obvious measure of a housing market – i.e. the prices at which properties are sold – it is also worth exploring the volume and composition of sales, for this can tell us more about the dynamics of the housing market. Figure 2 shows the volume of annual property sales since 2001. It is apparent that the number of completions peaks at almost 7,300 sales in 2002. There was a slightly smaller peak over the 12 month period from late 2003 to mid 2004, but after this time the number of sales has sharply declined – to only 5,150 transactions in the year to mid 2005. However, the number of transaction did start to increase again in 2006.

2.4 Therefore, 2005 saw not only a levelling of property prices in Milton Keynes, but also a sharp reduction in the number of properties selling. The slowdown in the number of completions may well reflect a lack of demand in the housing market with potential buyers thinking the market was over-priced. However, prices and transaction both increased together in 2006 indicating a renewed confidence in the housing market.

Figure 1
House Prices in Milton Keynes: Q2 2000-Q1 2007 (Source: HM Land Registry)

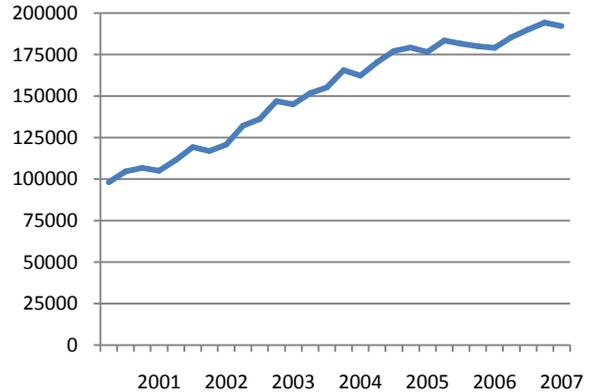
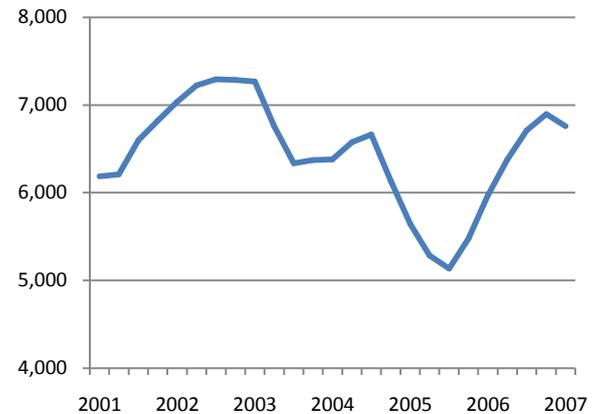


Figure 2
Volume of Properties Sold Annually in Milton Keynes: Q2 2000-Q1 2007 (Source: HM Land Registry)



Threshold Prices

- 2.5 In measuring housing need (and effective housing demand – where the household both wants to move and can afford to do so) it is necessary to determine reasonable access thresholds for home purchase. By using the information published by the Land Registry in combination with the information from the survey about the relationship between property price, property size and property type, we are able to identify the distribution of housing prices in terms of the number of bedrooms and determine appropriate thresholds. Of course, whilst the absolute threshold would be the minimum property price for each sized home, very few properties are likely to become available at this extreme – so merely being able to afford the minimum price would not guarantee households appropriate homes. For this reason, the lowest quartile is normally used – for households able to pay this amount should be able to afford at least a quarter of the appropriately sized properties sold.
- 2.6 The lowest decile, lowest quartile and average (median and mean) purchase prices for properties of different sizes have also been calculated.

Figure 3

Milton Keynes Property Prices for Owner Occupation by Property Size (Source: Computed based on HM Land Registry Q2 2006-Q1 2007 and Milton Keynes Household Survey 2007)

Property Size	Lowest Decile	Lowest Quartile	Average	
			Median	Mean
1 bedroom	47,200	85,000	132,000	141,800
2 bedrooms	75,000	117,500	146,000	156,100
3 bedrooms	109,950	143,000	166,500	181,900
4 bedrooms	155,500	195,000	245,000	254,700
5+ bedrooms	150,000	187,500	295,000	302,300

Rent

- 2.7 The following table details existing weekly rents, noting the current average rent for properties rented from Registered Social Landlords (RSLs) as well as the target rent set by the Housing Corporation for the social rented sector. Also included is information about the lowest quartile and average weekly rents in the private rented sector.

Figure 4

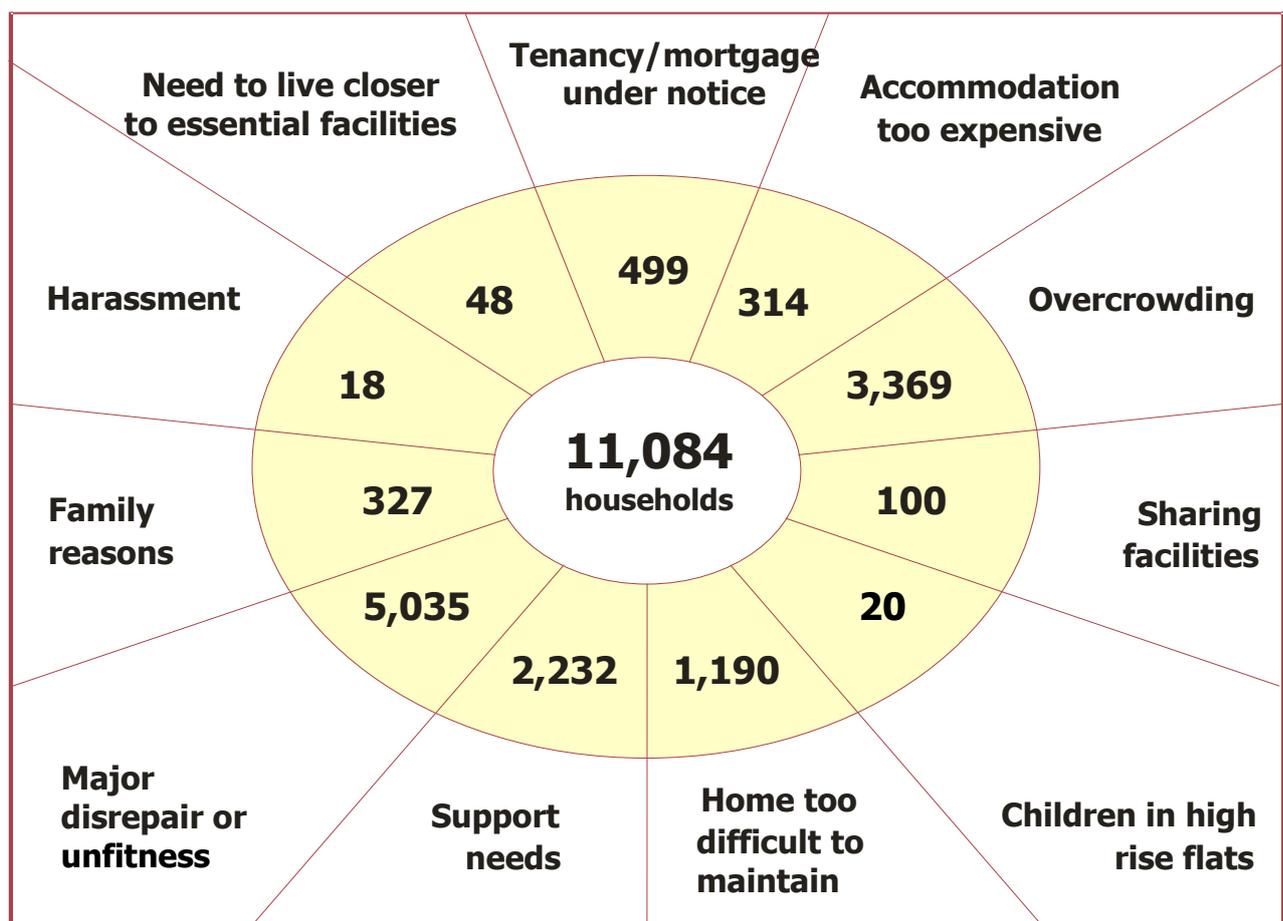
Milton Keynes Weekly Rent by Property Size and Tenure (Source 1: Housing Corporation Data March 2006. Source 2: Survey of Letting Agents in Milton Keynes 2007)

Property Size	Social Rent	Private Rent
	Target Rent	Lowest Quartile
Bedsit/1 bedroom	54.75	109.31
2 bedrooms	67.39	136.93
3 bedrooms	73.24	166.85
4+ bedrooms	76.49	253.15

Chapter 3: Existing Households in Housing Need

- 3.1 An important element of housing requirements is housing need – households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some form of assistance (Bramley & Pawson, 2000).
- 3.2 Overall, a total of 11,084 households were assessed as living in unsuitable housing. It should be noted that households can be unsuitably housed for more than one reason. To prevent double counting households affected by more than one form of housing unsuitability are counted only once & **shown only once in the total figure in the middle (11,084)**. The unsuitability problems experienced are shown below.

Figure 5
Established Households Living in Unsuitable Housing (Source: Milton Keynes Household Survey 2007)



Resolving Housing Unsuitability

- 3.3 Not all housing unsuitability problems require the households involved to move from their current home. In-situ solutions may be more appropriate to resolve some of the problems identified. For example, overcrowding could be resolved by one or more member(s) of the household leaving to live elsewhere, or an alternative solution could be to extend the existing property. Similarly, homeowners or landlords may undertake repairs to resolve problems with the condition of the property. In these cases (and many others) the problems identified can be resolved without the need for relocation to alternative accommodation.
- 3.4 Whilst in practice it is important to resolve the housing needs of individual households, a strategic analysis is primarily concerned with addressing overall housing need. In this context, it is particularly relevant to consider housing suitability issues concerned directly with the dwelling stock – such as major disrepair or unfitness. Resolving such individual household needs (through enabling a move to alternative housing) will not reduce the overall level of housing need because the vacancy that arises will inevitably (over time) be occupied by another household, who will once again be in housing need. In such cases, it is investment in the existing stock (or in extreme cases, clearance and redevelopment) that is required to reduce the numbers unsuitably housed.
- 3.5 It should be noted that any dwellings that are lost from the stock through clearance programmes would need to be replaced in addition to the number of additional housing units identified by this study – that is, our analysis considers the housing requirement in the context of a net increase in dwelling stock.
- 3.6 Where a move is appropriate and required to resolve a housing problem, some households may need to move to homes outside the area (for example, those moving for care or support), and others will choose to move further afield for other reasons. Where unsuitably accommodated households are likely to willingly leave the area, their needs should not be counted within the estimate of net need. Nevertheless, in discounting the needs of likely out-migrants, any needs of in-migrants to the area will add to the total requirement
- 3.7 Finally, a proportion of the households remaining will be able to afford to buy or rent an appropriate dwelling at (or above) threshold market prices. Therefore, when considering households who are in housing need, we must also discount from the total those who are able to afford such prices.
- 3.8 The impact of each of these stages is summarised in Figure 6. After discounting the households whose needs do not require alternative housing provision in Milton Keynes, only 1,919 (17.3%) of the identified 11,084 unsuitably housed households remain. The remaining households previously identified can either afford to resolve their housing problems without financial subsidy or their needs will be satisfied without having to move from their current home.

Figure 6
Resolving Housing Suitability Problems (Source: Milton Keynes Local Household Survey 2007. Note: Figures may not sum due to rounding)

Factor	Number of Households	
	Discounted	Remaining
Households assessed as currently living in unsuitable housing	-	11,084
Households with an objectively assessed in-situ solution	4,737	6,347
Households with a subjectively assessed in-situ solution (where the household neither wants nor expects nor needs to move)	3,296	3,051
Households that need to move, but that will leave the area	430	2,621
Households that need to move, but will be moving into institutional housing or join another household	24	2,597
Households that need to move, but can afford to rent or buy market housing	679	1,919

Households in Housing Need

3.9 When considering all current housing needs (including those established households living in unsuitable homes, homeless households in temporary accommodation and people sleeping rough), the study identified a total of 2,031 households in need.

3.10 It is worth noting that all of these figures relate to the reference period for the study, which corresponds with the fieldwork period for the interview sample.

Figure 7

Summary of Existing Households in Housing Need (Source 1: Milton Keynes Local Household Survey 2007. Source 2: Local Authority P1E Homelessness Data Q1 2007. Source 3: Local Authority Housing Strategy Statistical Appendix (HIP) Data. Note: Figures may not sum due to rounding)

Local Authority	Number of Households
Households currently living in unsuitable housing that need to move and cannot afford to rent or buy market housing ¹	1,919
Households accepted as statutorily homeless currently housed in housing leased temporarily from the private sector (PSL housing) ²	39
Households accepted as statutorily homeless temporarily housed in Bed & Breakfast or hostel accommodation ²	68
Single people currently sleeping rough ³	5
Total	2,031

Chapter 4: Housing Market Dynamics

- 4.1 Aside from understanding existing housing needs, it is important to consider the dynamics of the housing market – to understand how housing demand effectively interacts with housing need, and how existing housing need is likely to change in future.
- 4.2 Figure 8 shows that whilst many of the moves within the private rented sector were to other properties within the sector, a significant number of the properties that were vacated were due to cross-tenure moves. As many as 724 owner occupiers that had moved within the last year were identified as previously living in the private rented sector – accounting for 25.7% of home purchases for owner occupation during the period. It is also worth noting that 409 purchases (14.5%) involved households previously “living with family or friends” or “renting a room in lodgings” or being homeless or in temporary accommodation.
- 4.3 When we consider those currently in affordable housing – 19.8% of new tenants (385 households) were formerly “living with family or friends”, “renting a room in lodgings” or housed temporarily in hostels or other similar accommodation. Households previously in owner occupation accounted for only 113 new households in the affordable housing sector.
- 4.4 A total of 1,873 households were identified as previously living with family or friends (including those households who were previously living in communal housing) – so at the time they moved, they were forming a new household (Figure 8).

Figure 8
Household Moves in Last 12 Months (Source: Milton Keynes Household Survey 2007. Notes: Private Rent category also includes Tied Housing and Other Rented. Figures may not sum due to rounding)

Current Housing Circumstances	Previous Housing Circumstances				
	Established Households			Living With/ Rent a Room	All Households
	Owner Occupation	Private Rent	Affordable Housing		
Housing Tenure					
Owner Occupation	1,487	724	199	409	2,818
Private Rent	422	1,637	162	1,080	3,301
Affordable Housing	113	280	1,166	385	1,943
All Households	2,022	2,640	1,527	1,873	8,063

Assessing Affordability

- 4.5 Household affordability critically underpins the housing requirement analysis – determining both the ability to afford market housing (and be an effective housing demand) and the inability to afford market housing (and be a real housing need). Affordability is a complex issue and can be assessed in a number of different ways, but each method depends on common factors that are crucial to the analysis. The affordability of any particular household will depend on the relationship between:
- The cost of appropriate local housing, and
 - The amount that the household is able to afford.
- 4.6 Having established the cost of local rented housing, it is also important to consider amount that households are able to afford. The National Housing Federation have traditionally promoted that it is appropriate for households to spend up to 30% of their net income on rent or mortgage payments, and in providing affordable housing, Local Authorities and RSLs have often based affordability tests on this relatively straight-forward calculation. Nevertheless, whilst this may be suitable for households expecting to pay relatively low rents in the social sector, the implications become somewhat unrealistic in considering the payments for more expensive properties in the private sector.
- 4.7 The London Housing Federation “Mind the Gaps” document recognises that households may be expected to contribute as much as 50% of net income towards their total housing costs – noting that it is not the proportion of income that is the over-riding factor, but that the most important consideration is the amount of residual income available after the identified costs have been paid.
- 4.8 The affordability tests used for the study seek to ensure that households are not committed beyond their means, but do not allocate affordable housing to households who are realistically able to afford housing in the private sector.

Assessing Affordability for Owner Occupation

- 4.9 In terms of the affordability assessment for owner occupiers, whilst private renters will be expected to meet recurring costs each week or month it is accepted that owner occupiers will normally rely upon a loan or mortgage from a building society or other lender. Therefore, in the context of owner occupation, it is important that the householder is not only able to afford the repayments of such a loan but that also such a loan is accessible to that household. For this reason, a mortgage multiplier is normally applied to determine the amount households are able to afford when considering home purchase.
- 4.10 The assessment of mortgage eligibility adopted for this analysis is based upon the method proposed by Government in the emerging guidance for Local Housing Assessments – with lending for single incomes assumed to be 3.5x the income and lending for joint incomes based on a 2.9x multiplier. It is also important that the assessment of affordability for owner occupation considers other household resources, including:
- Savings;
 - Debts;
 - Equity (positive or negative) from current home (for current owners); as well as the
 - Amount that can be borrowed.

- 4.11 Perhaps the most important additional resource is any equity that a household may have in their existing home because, whilst the early years of a mortgage may not impact significantly on the amount of capital repaid, increases in house prices can bring significant additional resources.
- 4.12 In summary, the amount affordable for owner occupation is therefore: savings minus debts plus/minus positive/negative equity plus the borrowable amount.

Assessing Affordability for Weekly Rent

- 4.13 Unlike with owner occupation, the rental market does not require a single capital payment to be made upfront that has to be funded from a source such as a mortgage. Instead, it is based exclusively on a recurring payment taken from the individual household budget. Once again, the assessment for rent has been based upon that proposed in the emerging guidance, with 25% of household gross income assumed to be available for rent.
- 4.14 In practice, the use of gross income (as opposed to the net income) reduces the assumed payments for lower income households – because they are typically liable for less deductions (such as income tax and national insurance) from their income. Where households have no deductions from their earnings, they are assumed to pay only 25% of their net income on housing cost – but this increases to a maximum contribution of 31.5% of net income for those households earning up to £15,000 gross.
- 4.15 Nevertheless, whilst we have adopted the straightforward rental assessment proposed by DCLG guidance to assess household affordability for the primary analysis, we would note that this evaluation of affordability is somewhat simplistic – as it assumes that all households are able to afford a proportionately equal amount of their income to support their housing costs, regardless of issues such as household size and the number of dependents, or the absolute amount of income available to support other living costs.
- 4.16 Previous guidance published by the DETR in 2000 recognised that there was significant scope for improving assessments based on affordability ratios, noting that:

This approach can be made more sophisticated in a number of ways. In particular, it can incorporate the concept of residual income; that is, the amount of income a household has to live on after meeting their housing costs. The more residual income, the higher the affordability ratio which is bearable – housing costs equating to, say, 30 per cent of net income are more of a realistic possibility for a household with an income of £30,000 than for one with an income of £15,000. Residual income calculations normally start from net income and take account of the number and age of household members supported by a given income. This is done through the application of an 'income equivalence scale'; examples of such scales include the McClements (1977) scale ... Thus, a 'net equivalent income' can be calculated for each household concerned and this figure (rather than the unadjusted household income) is fed into the affordability calculation. (DETR 2000, p58)

- 4.17 The previous housing requirement assessments conducted by ORS in Milton Keynes developed the use of the McClements equivalence scale in relation to assessing housing need – and the approach was widely accepted at the Local Plan Inquiry as appropriate for assessing local affordability as a more sophisticated (and realistic) assessment process. Whilst we recognise the recommendations from DCLG guidance and have adopted a straightforward 25% multiplier for the primary analysis, we have also sensitivity tested these results. More details of the McClements equivalence scale can be found in Appendix D of the Milton Keynes Local Housing Assessment 2006.

Modelling the Housing Market

- 4.18 For any housing market assessment, the key or core issues are:
- How many additional units are required?
 - How many additional units should be affordable homes?
 - For what type of open-market housing is there demand?
 - How will 'demand' and 'need' change over time?
- 4.19 The ORS Housing Market Model addresses these issues by analysing the whole housing market. Instead of focusing only or primarily upon poorer households and social sector need, it interprets the interaction of requirement and supply across all sectors of the housing market. Social sector needs are interpreted within the context of market housing demands. This takes account of the interaction of effective and ineffective demands and needs, and the likely supply from the range of properties vacated within the existing stock.
- 4.20 The Model interprets the market dynamically – by likening the interchange between households and vacancies to “musical chairs”. The “musical chairs” analogy brings out the dynamic relation between requirement and supply – most households find suitable vacancies only because others move or suffer dissolution. In this context, the Model is primarily concerned with households likely to (or that otherwise need to) move. Of course, some households likely to stay in their current home may still have housing needs that should be addressed – but, by definition, the appropriate solutions for such problems will be provided in-situ and will therefore not impact on the mix of additional housing provision.
- 4.21 Whether households want or need to move, and what housing is appropriate for them, depends upon their characteristics, requirements and current accommodation. Effective demand is driven primarily by choice – nonetheless, even well-off households can find accommodation only if suitable vacancies arise. On the other hand, housing need is considered objectively – by evaluating households' current housing circumstances alongside their ability to afford local housing to establish a realistic assessment of housing need.
- 4.22 Through analysing the creation and take-up of vacancies the Model recognises that it is only because some households wish to and do move that others can find suitable homes. Nevertheless, the lack of suitable existing housing does not constrain the allocation process – for the mix of housing required by all households (including those currently without housing and unable to afford) is analysed, and it is the shortfalls identified in the existing stock that determine the mix of new housing required.

4.23 The elements of housing need and demand are detailed in Figure 144:

Figure 9
Derivation of Elements of Housing Need and Demand

Element	Derivation
Established households currently in need	<p>Households currently living in unsuitable housing that need to move to resolve their housing problems and cannot afford to buy or rent market housing (including homeless households temporarily accommodated in PSL housing).</p> <p>By definition, all households require affordable housing – but the split between intermediate and social rent is based on affordability.</p> <p>The size of property required is based on household composition.</p> <p>It is assumed that the identified existing need is addressed over a 5-year period, therefore 20% of the total is counted annually.</p>
Newly arising need from established households	<p>The future projection for this flow is based on recent trend figures for the last 12 months.</p> <p>Households currently living in unsuitable housing who were suitably housed one-year ago are assumed to constitute new need during the period, together with households who were forced to move during the period and were re-housed in affordable housing due to a problem that would have not been identified 12 months ago.</p> <p>By definition, all households require affordable housing – but the split between intermediate and social rent is based on affordability.</p> <p>The size of property required is based on household composition.</p>
Effective demand from established households	<p>The future projection for this flow is based on expectations of existing households moving within the sub-region over the next 12 months.</p> <p>Households are only counted if they are able to afford to buy or rent market housing, therefore by definition all will require market housing.</p> <p>Size of property required is based on household expectations in the context of expressed demand.</p>
In-migrant households to the sub-region	<p>The future projection for this flow is based on recent trend figures for the last 12 months, with five-year projections adjusted on the basis of ONS migration data for the last five years.</p> <p>Households are allocated to market, intermediate or social housing on the basis of affordability.</p> <p>Size of property required is based on trends in terms of the number of bedrooms in properties occupied by recent in-migrant households.</p>
Hidden households emerging as new households	<p>The future projection for this flow is based on recent trend figures for the last 12 months. The figure only includes newly forming households from host households in the sub-region.</p> <p>Households are allocated to market, intermediate or social housing on the basis of affordability.</p> <p>Size of property required is based on trends in terms of the number of bedrooms in properties occupied by recent newly forming households.</p>
Homeless households housed in hostels and B&B accommodation	<p>Households currently living in communal housing that require re-housing in traditional housing.</p> <p>It is assumed that the identified existing need is addressed over a 5-year period, therefore 20% of the total is counted annually.</p>

- 4.24 The extent to which the market clears depends upon the match or mismatch between the households seeking housing, on the one hand, and the available stock, on the other. The sources of housing supply are detailed in Figure 145.

Figure 10
Derivation of Elements of Housing Supply

Element	Derivation
Property vacated by established households moving home	<p>The future projection for this flow is determined by the three flows of established households considered within the elements of housing need and demand:</p> <ul style="list-style-type: none"> – Established households currently in need; – Newly arising need from established households; and – Effective demand from established households. <p>All established households moving are assumed to vacate their current home.</p> <p>The type and size of property counted within the supply is based on the actual tenure and number of bedrooms in the current home, i.e. the property being vacated.</p>
Property vacated by out-migrant households leaving the sub-region	<p>The future projection for this flow is based on expectations of existing households moving away from the sub-region over the next 12 months.</p> <p>All out-migrant households are assumed to vacate their current home.</p> <p>The type and size of property counted within the supply is based on the actual tenure and number of bedrooms in the current home, i.e. the property being vacated.</p>
Property vacated following household dissolution due to death or household merging	<p>The future projection for this flow is based on the structure of individual households coupled with ONS survival rate statistics. Each household is allocated a probability of survival such that a residual probability of dissolution can be derived.</p> <p>All households identified as moving to “live with” another household, moving to communal housing or otherwise no longer requiring independent housing are also counted as vacating their current home.</p> <p>The type and size of property counted within the supply is based on the actual tenure and number of bedrooms in the current home, i.e. the property being vacated.</p>

- 4.25 Of course, new housing development and property conversions will also contribute to housing supply in the sub-region – but these components are not considered by the Model, for it is seeking to understand how the existing housing stock will (or more importantly will not) be able to house future households in the area.
- 4.26 To do this, the Model notionally assigns – or matches – available housing to households. Through matching gross housing requirements with supply (vacancies created), the model identifies net housing requirements – i.e. those households who are unlikely to find suitable housing within the existing housing stock. Such an approach was recognised by Bramley and Pawson (2000) in the DETR Good Practice Guidance, where it was noted that:

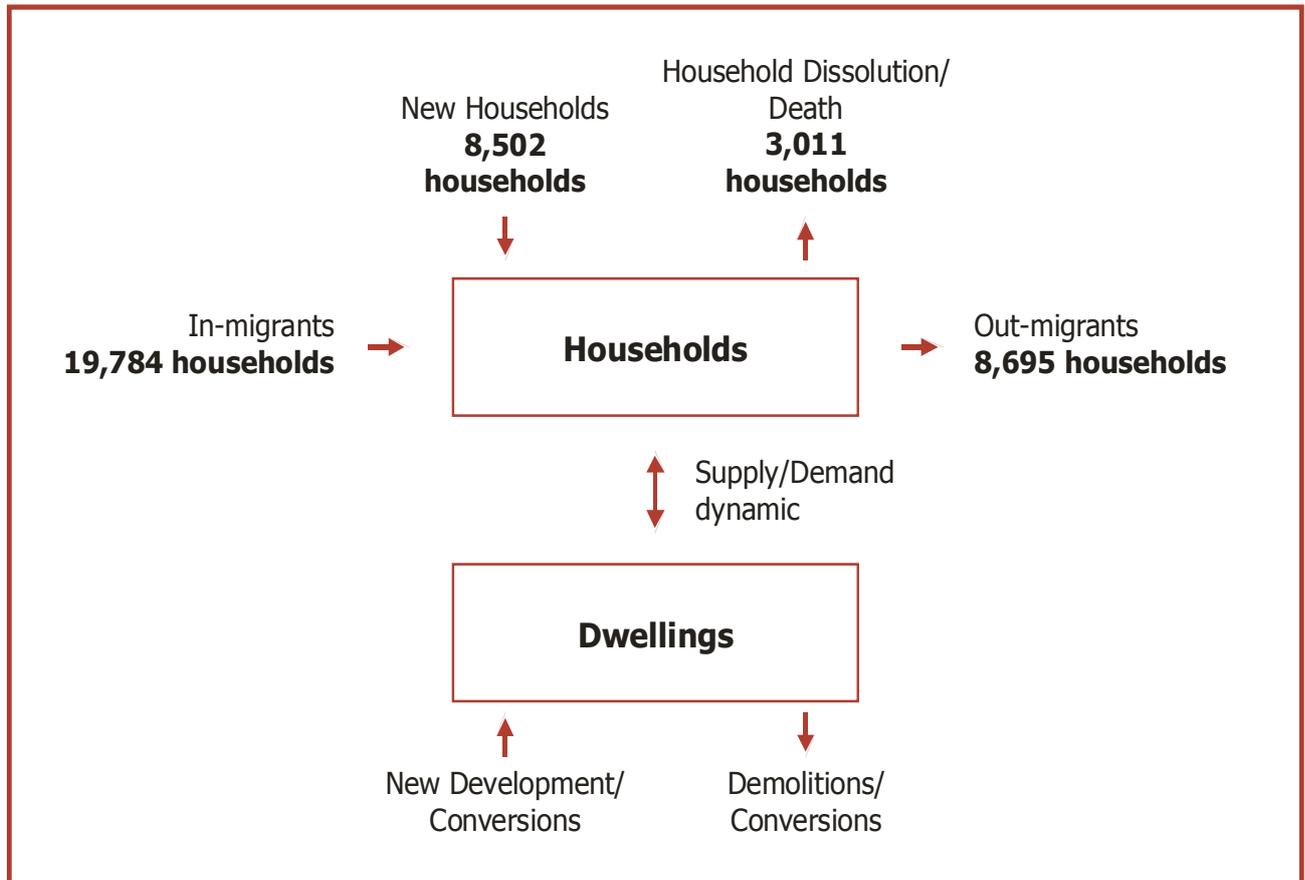
The value of this approach is that it makes the connections between what is happening in the private sector and the social sector explicit. It keeps track of households, who can't just disappear without trace, and draws particular attention to the roles of migration.

- 4.27 Such an approach has subsequently been adopted by DTZ Pinda Consulting in the “Housing Market Assessment Manual” produced for the Office of the Deputy Prime Minister (ODPM) – where the supply/demand dynamic between households and dwellings is considered at various levels of abstraction.

4.28 The projected flows of housing need, demand and supply are shown below.

Figure 11

5-Year Requirement/Supply Flow Analysis (Source: ORS Housing Market Model, Milton Keynes Local Housing Assessment 2007)



4.29 In considering this combination of inward and outward household flows, we can determine the likely pressure placed upon the dwelling stock – and the implicit requirement for additional housing provision.

4.30 The net gains and losses of each pair of flow streams are detailed below, where it is apparent that up to a net 16,580 additional dwellings would need to be provided over the 5-year period to sustain the existing supply/demand balance. If this number of homes is not provided, one or more flows will have to change.

Figure 12

Summary of 5-Year Housing Requirements by Household Flows (Source: ORS Housing Market Model, Milton Keynes Local Housing Assessment 2007. 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 the sub-region	19,784	8,695	11,089
Indigenous change – household formations and dissolutions	8,502	3,011	5,491
Established household moves	21,347	21,347	-
Total	49,633	33,053	16,580

Understanding the Required Housing Mix

4.31 In seeking to understand the required housing mix, household affordability has been grouped into three classifications. In allocating households to specific types of housing, the determining factor is affordability:

- **Social rented housing** – for those households unable to afford any more than target social rents;
- **Intermediate housing** – for those households able to afford more than target social rents, but unable to afford to buy owner occupied housing and unable to afford to rent privately at rents at the market rent threshold; and
- **Market housing** – for those households able to afford to buy owner occupied housing or able to afford to rent privately at rents at or above the market rent threshold.

4.32 When considering the appropriate housing supply, the following sources of supply are considered:

- **Social rented housing** – social housing provided to rent from local authorities and Registered Social Landlords;
- **Intermediate housing** – dedicated intermediate housing products (such as shared ownership, sub-market rent, etc.) and a proportion of the housing in the private rented sector with rents below the market rent threshold (i.e. within the lowest quartile); and
- **Market housing** – owner occupied housing and housing in the private rented sector.

4.33 As previously noted, the ORS Housing Market Model identified an overall requirement for 16,580 additional dwellings over a 5-year period. By matching the above column totals for total housing requirement (including both housing need and demand) against the corresponding row totals for housing supply, it is possible to consider the overall net housing requirement for the sub-region. The balance of this net requirement between the different housing types is detailed below.

Figure 13

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

Housing Type	Gross Housing Requirement	Housing Supply	Net Housing Requirement (Surplus)	
			N	%
5-Year Requirement				
Market Housing	34,679	23,557	11,122	67.1%
Intermediate Housing	7,216	3,914	3,302	19.9%
Social Rented Housing	7,737	5,582	2,155	12.9%
Total	49,632	33,053	16,580	100.0%

4.34 In summary, the ORS Housing Market Model identifies an overall 5-year requirement for almost 16,600 additional dwellings, with the balance between market housing, intermediate housing and social housing being 67:20:13 respectively.

4.35 Figure 14 identifies the gross requirement for housing over the next 5-years in terms of housing type and size, and then details the overall net requirement and the net requirement on an annualised basis.

Figure 14

5-year Housing Requirement by Housing Type and Size (Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2007. Note: Figures may not sum due to rounding)

Housing Requirement	Type of Housing			Total
	Market Housing	Intermediate Housing	Social Rented Housing	
5-year Gross Requirement				
1 bedroom	3,977	1,095	3,100	8,172
2 bedrooms	9,941	2,655	2,334	14,930
3 bedrooms	12,392	1,838	1,648	15,878
4 bedrooms	6,904	1,184	509	8,597
5+ bedrooms	1,465	444	146	2,055
Total	34,679	7,216	7,737	49,632
5-year Net Requirement				
1 bedroom	2,334	154	772	3,260
2 bedrooms	5,812	880	532	7,224
3 bedrooms	795	783	198	1,776
4 bedrooms	1,758	1,041	508	3,307
5+ bedrooms	422	444	146	1,012
Total	11,122	3,302	2,155	16,580
Net Requirement (Annualised)				
1 bedroom	467	31	154	652
2 bedrooms	1,162	176	106	1,445
3 bedrooms	159	157	40	355
4 bedrooms	352	208	102	661
5+ bedrooms	84	89	29	202
Total	2,224	660	431	3,316

Sensitivity Testing the Affordability Assessment

- 4.36 As noted earlier in the chapter (in the section “Assessing Affordability for Weekly Rent”) the primary analysis employed for this study has adopted the recommendation from DCLG guidance that 25% of gross household income should be assumed to be available for housing costs, regardless of individual housing circumstances. It was also noted that a more sophisticated affordability test was adopted for the previous housing requirement assessments conducted by ORS in Milton Keynes, which was widely accepted at the Local Plan Inquiry as appropriate for assessing local affordability.
- 4.37 Figure 15 and Figure 16 (below) shows that the alternative analysis has had a small impact upon the balance between market and affordable housing in the identified net requirement – but within the affordable housing element, the need for social housing has significantly increased.

Figure 15
Proportionate Net Requirement by Tenure: DCLG Assessment
 (Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2007)

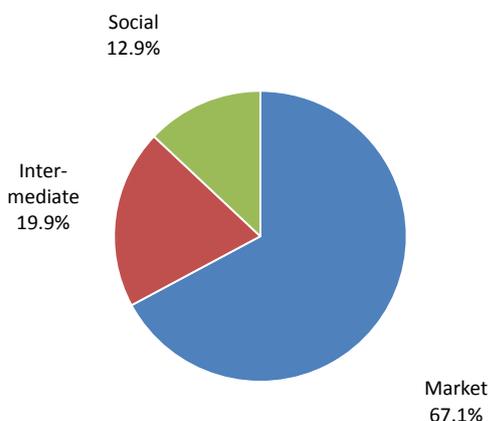


Figure 16
Proportionate Net Requirement by Tenure: McClements Equivalence Scale Assessment
 (Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2007)

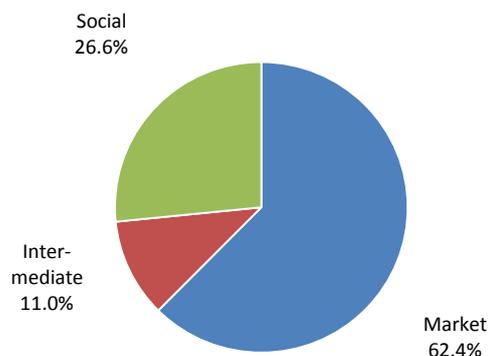


Figure 17
5-year Housing Requirement by Housing Type and Size: DCLG Assessment and McClements Equivalence Scale Assessment (Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2007. Note: Figures may not sum due to rounding)

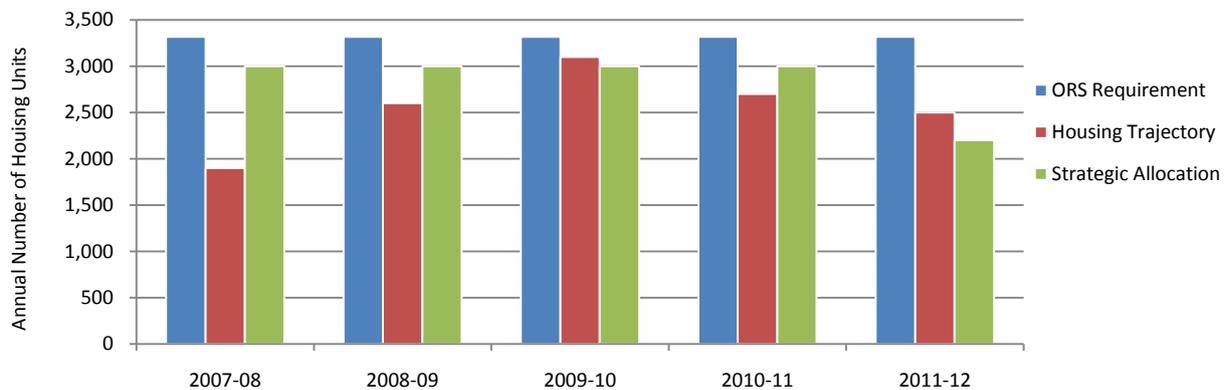
Housing Requirement	Type of Housing			Total
	Market Housing	Intermediate Housing	Social Rented Housing	
DCLG Assessment				
1 bedroom	2,334	154	772	3,260
2 bedrooms	5,812	880	532	7,224
3 bedrooms	795	783	198	1,776
4 bedrooms	1,758	1,041	508	3,307
5+ bedrooms	422	444	146	1,012
Total	11,122	3,302	2,155	16,580
McClements Scale				
1 bedroom	2,335	154	769	3,259
2 bedrooms	5,939	180	1,054	7,174
3 bedrooms	602	409	971	1,982
4 bedrooms	1,169	767	1,215	3,151
5+ bedrooms	305	310	398	1,013
Total	10,351	1,821	4,407	16,580

Housing Trajectory

- 4.38 As previously noted, the ORS Housing Market Model identified a need for a provision of 16,580 properties over the next five years in Milton Keynes. Figure 18 compares the annual identified requirement with the projected number of completions in Milton Keynes, and with the strategic allocation for Milton Keynes contained within the South East Regional Spatial Strategy (RSS).
- 4.39 It is clear that the net housing requirement identified by the ORS Housing Market Model exceeds projected completions and the strategic allocation for housing. Across the five year time period the projection level of completions is 12,800 and the strategic allocation from the RSS is 14,200.
- 4.40 As previously noted in chapter 4, given the household-dwelling balance, any difference between the identified net housing requirement and the actual housing provision will lead to one or more of the identified household flows changing – that is fewer new households forming and/or fewer in-migrant households moving to the area and/or more out-migrant households leaving the area.

Figure 18

Milton Keynes Housing Requirements, Strategic Allocations and Housing Trajectory: (Source: Milton Keynes Council Housing Forecast 2007-08 and Milton Keynes Local Housing Assessment 2007)



Chapter 5: Comparisons with the 2006 Survey

Unsuitably Housed

- 5.1 The 2007 survey saw a rise in the number of households unsuitably housed across Milton Keynes to 11,084 from 10,606 in 2006.
- 5.2 Figure 19 highlights the impact of discounting the households whose needs do not require alternative housing provision in Milton Keynes. In 2006 2,246 households needed to move, but could not afford to do so, while in 2007 this had fallen to 1,919 households. Therefore, in 2007 more households are identified as being in housing need, but more are also identified as not requiring alternative housing provision in Milton Keynes.

Figure 19

Resolving Housing Suitability Problems in 2006 and 2007 (Source: Milton Keynes Local Household Survey 2006 and 2007. Note: Figures may not sum due to rounding)

Factor	2007		2006	
	Discounted	Remaining	Discounted	Remaining
Households assessed as currently living in unsuitable housing	-	11,084	-	10,606
Households with an objectively assessed in-situ solution	4,737	6,347	4,535	6,070
Households with a subjectively assessed in-situ solution (where the household neither wants nor expects nor needs to move)	3,296	3,051	2,889	3,182
Households that need to move, but that will leave the area	430	2,621	391	2,790
Households that need to move, but will be moving into institutional housing or join another household	24	2,597	36	2,754
Households that need to move, but can afford to rent or buy market housing	679	1,919	507	2,246

Housing Requirements

- 5.3 Figure 20 shows the comparison of the 2006 and 2007 inward and outward flows due to migration and indigenous change. The indigenous change results are very similar across the two years. However, there has been a marked decline in the forecast for the number of inward migrant households and an increase in the forecast for out migrant households.
- 5.4 Therefore, when compared with the 2006 survey, fewer households are now forecasted to move to Milton Keynes and more are expected to leave. This has the impact of reducing the total housing requirement from nearly 21,000 extra dwellings to 16,600 extra dwellings.

Figure 20

Summary of 5-Year Housing Requirements by Household Flows 2006 and 2007 (Source: ORS Housing Market Model, Milton Keynes Local Housing Assessment 2006 and 2007. Note: Figures may not sum due to rounding)

Housing Type	2007			2006		
	Inward Flow	Outward Flow	Net Requirement	Inward Flow	Outward Flow	Net Requirement
5-Year Requirement						
Migration – households moving to and from the sub-region	19,784	8,695	11,089	23,273	7,561	15,713
Indigenous change – household formations and dissolutions	8,502	3,011	5,491	8,712	3,446	5,266
Established household moves	21,347	21,347	-	19,556	19,556	-
Total	49,633	33,053	16,580	51,541	30,563	20,978

5.5

- ^{5.6} Figure 21 (below) shows that the total requirement for market housing has declined by around 4,000 units when compared with the forecasts from 2006. Much of this decline has been due to a reduction in the requirement for dwellings with three or more bedrooms. The total requirement for intermediate housing has remained unchanged, but there is a higher need for two bed dwellings at the expense of three bed ones.
- ^{5.7} The requirement for social housing has declined by over 500 units, with a large decline in the need for one and three bed units, but an increase in the need for two bed social rented units. The decline in the requirement for one and three bedroom dwellings is primarily as a result of fewer in-migrant households requiring this type of dwelling. The increased requirement for two bedroom social rented dwellings is partly due to more in-migrant households requiring this type of dwelling despite the overall decline of in-migrant households. There has also been an increase in the number of households moving within Milton Keynes who require two bedroom dwellings, while the number of two bedroom social rent dwelling expected to be vacated has fallen.

Figure 21

5-year Housing Requirement by Housing Type and Size 2006 and 2007: DCLG Assessment (Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2006 and 2007. Note: Figures may not sum due to rounding)

Housing Requirement	Type of Housing			Total
	Market Housing	Intermediate Housing	Social Rented Housing	
5-year Net Requirement 2006: DCLG Assessment				
1 bedroom	2,553	382	1,575	4,510
2 bedrooms	6,531	4	(81)	6,454
3 bedrooms	3,116	1,729	752	5,597
4 bedrooms	1,985	1,008	306	3,300
5+ bedrooms	911	15	193	1,118
Total	15,095	3,138	2,745	20,978
5-year Net Requirement 2007: DCLG Assessment				
1 bedroom	2,334	154	772	3,260
2 bedrooms	5,812	880	532	7,224
3 bedrooms	795	783	198	1,776
4 bedrooms	1,758	1,041	508	3,307
5+ bedrooms	422	444	146	1,012
Total	11,122	3,302	2,155	16,580

5.8 Figure 22 and Figure 23 compare the tenure split for dwelling requirements in the 2006 and 2007 surveys using the DCLG assessment for affordability. These show that there has been a decline in the requirement for market housing in 2007, with a consequent rise in the requirement for intermediate housing.

Figure 22
Proportionate Net Requirement by Tenure: 2007: DCLG Assessment
(Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2007)

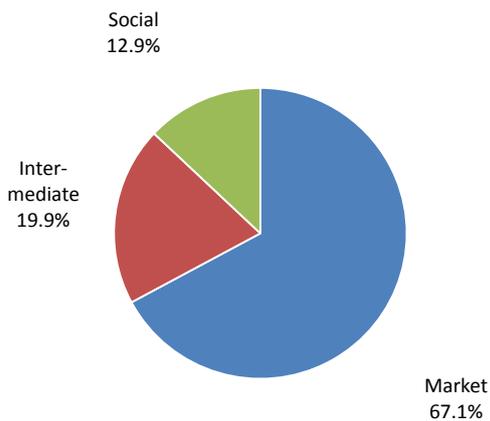
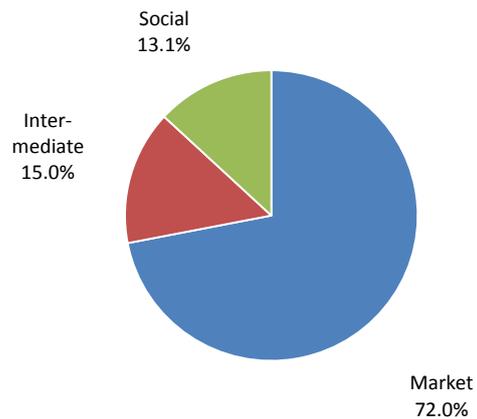


Figure 23
Proportionate Net Requirement by Tenure: 2006: DCLG Assessment
(Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2006)



5.9 Figure 24 (below) shows the composition of the total requirement when assessed under the McClements equivalence scale. This again shows the decline in the requirement for one and three bed social rented units and increase in the requirement for two bed social rented units when compared with the results from 2006.

Figure 24

5-year Housing Requirement by Housing Type and Size 2006 and 2007: McClements Equivalence Scale Assessment (Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2006 and 2007. Note: Figures may not sum due to rounding)

Housing Requirement	Type of Housing			Total
	Market Housing	Intermediate Housing	Social Rented Housing	
5-year Net Requirement 2006: McClements Scale				
1 bedroom	2,553	382	1,573	4,510
2 bedrooms	6,531	(195)	117	6,454
3 bedrooms	3,116	579	2,059	5,597
4 bedrooms	1,830	558	757	3,300
5+ bedrooms	736	175	208	1,118
Total	14,766	1,500	4,713	20,978
5-year Net Requirement 2007: McClements Scale				
1 bedroom	2,335	154	769	3,260
2 bedrooms	5,939	180	1,054	7,224
3 bedrooms	602	409	971	1,776
4 bedrooms	1,169	767	1,215	3,307
5+ bedrooms	305	310	398	1,012
Total	10,351	1,821	4,407	16,580

5.10 Figure 25 and Figure 26 compare the tenure split for dwelling requirements in the 2006 and 2007 surveys using the McClements equivalence scale. These show that there has been a decline in the requirement for market housing in 2007, with a consequent rise in the requirement for intermediate and social housing.

Figure 25
Proportionate Net Requirement by Tenure: 2007: McClements Equivalence Scale Assessment
(Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2007)

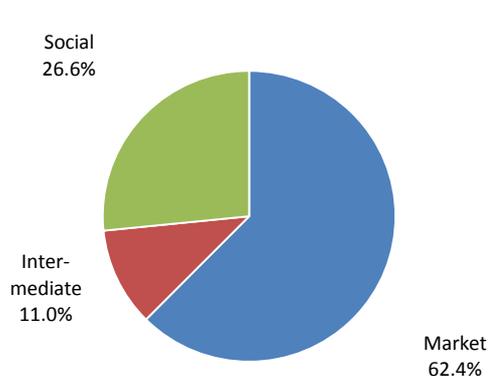
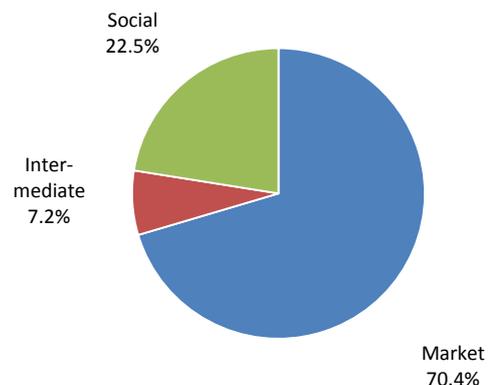


Figure 26
Proportionate Net Requirement by Tenure: 2006: McClements Equivalence Scale Assessment
(Source: ORS Housing Market Model, Milton Keynes Housing Requirement Assessment 2006)



Summary

- 5.11 The estimates from the 2007 housing requirements assessment shows that there is a net requirement for 16,600 extra dwellings in Milton Keynes over the next five years. This represents a reduction of 4,400 units when compared with the results of the 2006 housing requirements survey.
- 5.12 The main factors driving this change in housing requirements is a reduction in the number of households forecasted to move to Milton Keynes and an increase in the number of households forecasted to leave in the next five years.
- 5.13 Using DCLG guidance to assess housing affordability, the 2007 housing requirements survey identifies that 67% of the total housing requirement should be provided in the form of market housing, 20% as intermediate housing and 13% as social housing. This represents a small decline in the share taken by market housing when compared with the 2006 housing requirements survey and a rise in the share taken by intermediate housing.
- 5.14 When using the McClements equivalence scale to assess housing affordability for the private rented sector, the 2007 housing requirements survey identifies that 62% of the total housing requirement should be provided in the form of market housing, 11% as intermediate housing and 27% as social housing. This is an 8% decline in the share taken by market housing when compared with the 2006 housing requirements survey, with the share taken by intermediate and social housing both rising by 4% .