1. Introduction and background

1.1. The National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG) seek to underpin the Government's step change in housing delivery through a more responsive approach to land supply at the local level. As a Local Planning Authority, Milton Keynes Council are required to identify and maintain a rolling five year supply of deliverable housing land, to ensure the continued supply of homes in the area.

1.2. Milton Keynes has a very good record of ensuring there is a significant land supply available across the Borough. This remains the case with land for nearly 22,000 homes already in the development pipeline, over 14,500 of which have some form of planning consent.

1.3. This is a sufficient quantity of land available to deliver the overall Core Strategy target by 2026, and is felt to put Milton Keynes in a very strong position when compared to other authority areas where land supply may be a constraint to housing delivery. Of particular importance is the fact that a number of major strategic sites where development has been delayed over recent years have now commenced development and are reacting to strong market demand.

1.4. The Council has thorough arrangements in place to regularly monitor and forecast rates of development, which helps with the assessment of the five year land supply.

1.5. This assessment covers the five year period from 1st April 2016 to 31st March 2021. It firstly establishes the housing requirement the Council needs to demonstrate is deliverable and then assesses the land supply available to deliver the requirement over the next five years.

1.6. A list of available and suitable sites, with a commentary on their deliverability (as of April 2016) is provided in Appendix 1. This information is updated on an annual basis to reflect new sites that become available and changes in circumstance of existing sites. It may be updated throughout the year if necessary, but as required by the Planning Practice Guidance, this annually produced report provides the Council's formal position on five year land supply for the year commencing 1st April 2016.

1.7. The report takes into account the NPPF requirement for an additional 5/20% allowance on the five year land supply to create competition and choice in land supply, and the requirement to consider meeting any past shortfall in completion rates. These factors are discussed at the relevant point in the report, as is the different outcomes generated by using the 'Sedgefield' and 'Liverpool' methods to treat past shortfalls in completion rates.

1.8. Overall, the report concludes that there remains slightly below five years supply of land available across the Borough. This report will be used directly in the final preparation of the Site Allocations Plan, a proposed submission draft of which will be ready later this year. This plan will make additional sites available within the next 5 years to address the deficit that has been identified. The Council's present land supply circumstances are therefore unlikely to be prolonged.

2. The Five-Year Land Supply Requirement

Basic requirement

2.1. In accordance with paragraph 029 of the PPG, the starting point for establishing the five year land supply requirement is the housing target set out in the Council's Core Strategy, which was subject to examination in 2012, adopted in 2013 and is NPPF compliant.

2.2. The housing target in the Core Strategy is to deliver an average of 1,750 homes per year across the Borough. This figure remains a robust basis for calculating the five year land supply requirement but will be reviewed in the next full-year assessment to take into account any revised national projections or updated local evidence.

2.3. This starting point gives a basic five year requirement for 8,750 homes across the Borough:

1,750 x 5 = 8750

Shortfall

2.4. In the 6 years since the start of the Core Strategy Plan period (1 April 2010), there have been 7,819 net completions. Against the average requirements of the Core Strategy this means there has been a shortfall of 2,681 homes across the Borough in the first 6 years of the plan period:

(6 x 1750) - 7819 = 2681

2.5. The Council favours the Liverpool method of accommodating shortfall, which means spreading this backlog over the remaining plan period rather than within the next 5 years (the Sedgefield method). The specific circumstances of Milton Keynes mean that most new housing is delivered in a number of large strategic sites (see Appendix 1), which take many years to build-out. This was acknowledged by the Core Strategy inspector in paragraphs 84 to 96 of her report.

2.6. Splitting the shortfall over the remaining 10 years of the plan period gives an additional 268 homes per year and 1,341 homes in total over the next 5 years:

2681/10 = 268.1

268.1 x 5 = 1341 (rounded up)

Buffer

2.7. The NPPF (paragraph 49) requires a 5%'buffer' to be added to the basic requirement with the objective of bringing sites forward from later in the plan period to ensure choice and competition in the market for land. Where there has been a persistent record of under delivery of housing this buffer should be increased to 20% to boost the prospect of achieving planned supply.

2.8. In recent years despite delivering a significant number of homes relative to other areas, the planned Borough housing target has not been achieved. The PPG (paragraph 035) states that where this is the case, it is a matter of judgement by the decision maker as to whether a particular degree of under delivery of housing triggers the need to bring forward additional supply (i.e. add a 20% buffer).

2.9. Given performance has been below the target requirement for the last 6 years, and because there has been no specific impediment to the deliverability of housing (other than the basic lack of finance and realisable demand), it is considered necessary to add a 20% buffer. For clarity, despite adding the 20% buffer to the requirement, the Council does not consider that it has failed to make enough housing land available for development – it is a result of market failings and viability issues that homes have not been delivered, not overall supply of housing land.

2.10. In previous assessments, the Council added the 20% buffer only to the basic requirement. However, to reflect best practice and guidance from caselaw, in this assessment the 20% buffer is added to the shortfall as well, which establishes a requirement of **12,109**:

(8750+1341) x 1.2 = 12,109

<u>Deliverable housing supply in Milton Keynes</u>

2.11. The definition of 'deliverable' is set out in footnote 11 of the NPPF It states:

> To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans.

2.12. The PPG (para 031) clarifies what constitutes a 'deliverable' site in the context of housing policy. It states that sites that could make up deliverable supply include:

- Sites with planning permission (outline or full) or allocated for development which have not been implemented, unless there is <u>clear evidence</u> that schemes will <u>not</u> be implemented

- Unallocated or permitted sites where there are no significant infrastructure constraints

2.13. The PPG (paragraph 024) also states that a windfall allowance can be made in the five year period, where it can be justified.

2.14. As per the definition in the NPPF, the PPG reinforces that the size of sites will be a key consideration in assessing their deliverability, with lead in times and rates of development on large sites needing to be robust to ensure an accurate five year land supply. This is a key consideration in Milton Keynes' land supply given the number of large sites in and around the city.

2.15. Essentially the key consideration is whether there is a realistic prospect of development taking place on a given site within the next five years. As of the 1st April 2016 land was available for 21,872 homes. This was broken down as follows:

Table 2: Total available land at 1st April 2016

Permissions	**Outline**	11,047
	Full	3,707
Local Plan Allocations and deliverable brownfield opportunities		7,118
	Total	21,872

2.16. This land has not automatically been assumed to be deliverable. The housing trajectory in Appendix 1 has been profiled according to the latest circumstances as considered by the Joint Housing Monitoring Team and, where possible, verified with developers directly. The focus of this review has been the likely rate future rate of development and understanding the pre-commencement circumstances surrounding each site such as the discharging of conditions, site preparation and ownership arrangements. The following are the most significant changes to supply since the November 2015 interim statement:

- Expansion area parcels that have either received reserved matters approval or developers have indicated they will shortly bring forward have been profiled separately from the remaining outline units.
- Sites in Sherington and Hanslope have been added to reflect upheld appeals.
- The former Aston Martin/Tesco site in Newport Pagnell has been added following its allocation in the Newport Pagnell Neighbourhood Plan and a planning application currently under consideration.
- Seven sites have been added where prior approval has been given to convert offices to residential schemes. These schemes are for more than 10 units; smaller schemes remain covered by the windfall allowance (see Appendix 1).
- Sites allocated for development in the emerging Olney Neighbourhood Plan and Castlethorpe Neighbourhood Plan are now included in supply as they progresses towards examination and referendum.
- A medium-sized windfall site north of Wavendon Business Park has been added to supply following outline permission being granted.

2.17. The deliverability of individual sites of less than 10 units has not been specifically assessed. Instead a windfall allowance has been included. The justification for this allowance, which is 35 homes per year in the rural area and 60 per year in the urban area, is set out in Appendix 2.

2.18. At the foot of the table in Appendix 1 is an indicative trajectory of how much land can be provided, created by collating the information on individual sites. This needs to be read alongside the risk assessment provided on page 6.

3. <u>Key points relating to the land supply position</u>

Five year housing supply vs. housing requirement

3.1. The total land supply for homes across the Borough is slightly below the requirement established earlier in this paper. This is set out in detail in Appendix 1. The table shows that the Council can currently demonstrate that deliverable supply is in place for 4.8 years' worth of housing land. However, it is clear that this shortfall is principally the result of applying a 10% discount to a majority of the identified supply (see section 3.2). Crucially, without this discount for potential slippage, land supply would slightly exceed 5 years.

Table 2- Milton Keynes overall five year housing land supply position at April 2016

	Total
Overall requirement 2016-2021	12,109
Overall supply of deliverable sites	12,290
Overall supply with 10% discount to applicable sites	11,630
Overall supply compared to requirement	-479
Overall years supply	4.8 years

Forecast discounts for optimism bias and non-implementation

3.2. In an interim statement in November 2015 the Council revised its supply calculations to include a 10% discount across all sites and all years of forecasts to account for slippage and non-implementation. The Council has since analysed its lapse rates and established that over the last 5-years an average of just 18 applications for residential development have expired unimplemented annually (across an average of 17 sites). If just two larger expired permissions from 2008 are discounted (each with their own unique circumstances markedly different to the pattern of non-implementation in other years and areas), non-implementation accounts on average for the loss of just 67 dwellings per year from supply, or less than 3% of the 5-year requirement established above. 48% of these losses (32 dwellings per year on average) are experienced on windfall sites of less than 10 dwellings, which is already accounted for in Appendix 2. This means that, on average, non-implementation represents a residual risk of just **1.4%** to the substantive element of supply.

3.3. The Council has therefore changed its approach to the discount and considers that it is more reasonable to apply it only where there is a definite risk forecasts may slip outside the 5-year period. Therefore the discount is applied to sites where completions (of any quantity) are profiled in year 5 or beyond. The discount is applied to all years for qualifying sites, not just year 5. This process results in the discount being applicable to 54% (6,605 units) of the total 5-year supply of 12,290 dwellings. The remaining 46% of supply is forecast to be wholly deliverable within 4 years and is therefore at considerably less risk of affecting 5-year supply if delivery slips.

Risk assessment

3.4. Despite making this allowance for slippage in forecasts, the indicative trajectory of sites available for development still needs to be accompanied by an overall risk assessment as per Planning Practice Guidance, (para 025).

3.5. Any site specific risks have already been considered in assessing the deliverability of each of the individual sites, as set out in Appendix 1. However, there are a few general factors which also need to be considered when looking at the indicative land supply trajectory created by combining the individual site assessments.

<u>Sites with Planning Permission</u>

3.6. Of the deliverable land supply around 68% has extant planning permission in place. This is a decrease from the 77% reported in last year's report.

3.7. The 32% without permission is therefore an increase on last year's position. This reflects a number of sites that have been added to supply (mainly outside the 5-year window) on the basis of their proposed allocation in Neighbourhood Plans. The percentage of supply with permission is likely to fluctuate in coming years as existing permissions are built out and both windfall sites and the Site Allocations Plan bring forward new supply in different ways.

3.8. The number of plots with reserved matters planning permission has increased significantly in the last year, reflecting a number of parcels coming forward in the Western Expansion area and the next phases of the Eastern Expansion Area.

3.9. Related to this is the progress which is being made on the delivery of major sites. Over the last year:

- Nine parcels within the Western Expansion Area have received reserved matters approval. In Area 11 in particular annual completions have already reached three figures. Although there were fewer completions in Area 10, a large number of units are under construction indicating delivery rates there will quickly pick up.

- Development in the Eastern Expansion Area has experienced a higher than expected out-turn with over 300 units delivered last year. Reserved matters continue to be submitted with future phases all expected to overlap to continue the high rates of delivery.

- Oakgrove has continued to be built out at a quicker rate than forecast and will now be complete within the 5-year period according to the developer's own projections.

- The Kingsmead South parcels have moved towards application stage with a reserved matters application submitted in March 2015 for sites 1 and 2, with sites 3 and 4 expected to follow.

- A preferred developer has been appointed for the canal-side development in Campbell Park with an expectation from the developer that site preparation will start next year.

- In the Strategic Land Allocation, outline applications for the two remaining larger parcels continue to be considered, with Land West of Stockwell Lane due to be reconsidered by committee shortly whilst Church Farm is subject to an appeal. However, the larger parcels at Glebe Farm and Eagle Farm have received reserved matters approval for infrastructure works; with these underway the site preparation should soon be complete ready to start delivering completions next year.

3.10. These factors show that good progress is being made on bringing major sites forward across Milton Keynes, helping to maximise levels of completions. The risk of major sites not meeting the expected completion rates is therefore falling. It will potentially be minimised still further in the coming months when issues relating to the remaining outline coverage in the SLA are resolved. Despite this progress and decreasing level of risk, the Council has nevertheless implemented a 10% discount to forecasts on larger sites where delivery is on 'the edge' of the 5-year period. This is discussed further in section 3.3.

Sites without planning permission

3.11. The sites without planning permission are almost exclusively allocated sites. Less than 1% of the overall land supply is on unallocated, brownfield sites that have been identified as being deliverable in the next five years, this includes a small windfall allowance.

3.12. The low level of brownfield development reflects the fact that Milton Keynes is a planned new town with a relatively limited number of redevelopment opportunities compared to other areas. Many redevelopment opportunities, such as old garage sites, are small and for less than 10 units. Sites of this size are covered by a windfall analysis and therefore to avoid double counting, specific small brownfield sites are not listed in the schedule. The overall deliverable supply of housing is therefore not at risk due to the reliance on the delivery of potentially difficult brownfield opportunities.

Market constraints

3.13. The constraints of the market have been noted elsewhere in this report. It is worth noting that the 5, 10 and 15 years completion rates across the Borough have been around 1,500 homes per year, irrespective of the housing target set out by the Council.

3.14. As part of the work on Plan:MK, in line with the requirements of the NPPF and PPG, the Council has been looking at market signals. These are summarised in Appendix 3. The signals indicate that over recent years, despite only 1,500 homes per year being delivered, the affordability of housing in Milton Keynes has performed similarly to other comparable areas and England as a whole. Other key factors also compare well. The indication is that 1,500 homes per year have broadly satisfied the realisable market demand for new housing. This further reinforces the accuracy of the conclusion drawn by the Core Strategy Inspector (see later comments) and the point about financial constraints mentioned earlier.

3.15. The indicative trajectory of housing land supply suggests that from year two deliverable land is available for well in excess of 2,000 homes. This is clearly significantly beyond the long term average completion rates across the Borough.

3.16. This position emerges as several new major housing sites, including the Western Expansion Area, the Strategic Land Allocation and Campbell Park start being built out, on top of the ongoing supply of homes from sites already under construction such as Brooklands, Oakgrove and Newton Leys.

3.17. The Council are now in a positon where they can be more certain than ever that development on the identified sites is able to progress in a timely manner. In previous years there was always uncertainty about the start date on site but now primary infrastructure is in place or under construction, land parcels are in developer ownership and reserved matters applications are being approved with developers keen to get on site.

3.18. Therefore it is felt that the indicative trajectory provides a realistic overview of the deliverable land available for each of the next five years. Whether all of this deliverable land will end up being delivered is a separate issue, which will be determined by the ability of the wider Milton Keynes housing market being able to sustain levels of completion well in excess of past average rates.

3.19. If delivery rates of in excess of 2,000 homes per year are not achieved it is not felt that this will be down to a lack of deliverable housing land across the Borough which supports the conclusions of the Core Strategy inspector that “there is no substantive evidence that the supply is constraining housing delivery in the borough” (para. 31) and “there is insufficient reason to doubt that the identified supply is fit for purpose” (para. 86).

<u>New policy documents</u>

3.20. Despite the position with market constraints outlined above, the Council is preparing a Site Allocations Plan to allocate new, non-strategic housing sites across the Borough. The aim is to allocate a range of small/medium housing sites that can supplement existing land supply and boost completions if there is sufficient market demand. The purpose is made all the more valid by the fact identified in 3.1. – that the shortfall in supply only arises when the 10% discount to forecasts is applied. The Site Allocations Plan has progressed through an Emerging Preferred Options stage with a draft Proposed Submission document due to be published later in 2016 once the findings of this report have been factored into the final site selection.

3.21. There are also several Parish Councils in the process of producing Neighbourhood Plans. These are each considering the need to allocate new housing sites with the rural councils in particular, likely to allocate land that will be deliverable, at least in part, in the current five year period. This is reflected in the inclusion of significantly-sized sites from both the Newport Pagnell and Olney Neighbourhood Plans in supply.

<u>Regeneration areas</u>

3.22. The Council is committed to a comprehensive regeneration programme across a number of the older new town estates. The Council has set aside funding to deliver the programme and has now set up a partnership (‘Your MK’) with Mears that is working towards this.

3.23. A detailed timetable for delivery of the regeneration programme has yet to be established, however it is expected that the programme could be delivering change inside the next 2-3 years (i.e. inside this five year land supply period). It is therefore possible that the programme will contribute additional housing opportunities in the next five years, supplementing existing supply.

3.24. Currently no allowance has been made for the delivery of homes on regeneration estates in the five year period. Therefore as with new policy documents, the regeneration programme has the potential to supplement the existing supply of sites.

4. Additional points

Urban / rural split

4.1. In previous years, land supply reports have specifically identified land availability in the rural and urban parts of the Borough. In the last report it was clearly set out that the urban rural/split was provided for the purpose of plan making , to ensure that that in planning to deliver the Core Strategy housing requirements land is identified in the appropriate areas.

4.2. Generally speaking disaggregated approaches to land supply are unsound. However, it is important context to note that rural land supply is **6.2 years**. This is demonstrated as follows:

Requirement:

Basic requirement = 5*110 = 550
Shortfall since 2010 = 660-534 = 126 (81% target completions suggests 20% buffer ought to apply to rural area too)

5-year shortfall when spread across plan period= 5*(126/10) = 63

Overall requirement = 1.2*(550+63) = **736**

Supply:

Appendix 1 indicates a rural supply of 933 dwellings in the next 5 years, with a 10% discount applicable (see section 3.3) to 250 of these.

Overall supply = 933-(250*0.1)= **908**

(908/736)*5 = **6.2** years

Performance against the Core Strategy housing trajectory

4.3. The figures in this report include a shortfall in recent completions against the average housing target in the Core Strategy. However, as has been previously noted, during the examination of the Strategy, it was accepted that in the short term, the target would be difficult to achieve. A housing trajectory was included in the Core Strategy which set out a realistic rate of delivery.

4.4. Against this trajectory there has still been a shortfall of completions (around 2,500 homes). This shortfall in delivery is just outside the tolerance of 20% agreed as part of the Strategy (see Core Strategy table 17.1), as it represents a delivery rate 24% below the trajectory. The current land supply trajectory remains similar in shape to that in the Core Strategy though. The main cause of the shortfall appears to be the delay in bringing forward the major sites around the city, which as noted earlier, is now beginning to be addressed.

Appendix 1 – site by site forecast of land supply