Note to Milton Keynes Core Strategy EIP

Our ref 12491/02/MS/CGJ
Date 30 August 2012
To Milton Keynes Core Strategy EIP
From Nathaniel Lichfield & Partners
Copy Milton Keynes Council / Berkeley Strategic

Subject Milton Keynes Core Strategy Examination: Statement of Agreed Matters between Milton Keynes Council & Berkeley Strategic

1.0 Introduction

1.1 This Statement of Agreed Matters has been prepared by Nathaniel Lichfield & Partners (NLP) on behalf of Berkeley Strategic and sets out areas of agreement between Berkeley Strategic and Milton Keynes Council (MKC). This statement follows the Employment Land Assessment (ELA) report produced by NLP on behalf of Berkeley Strategic (REP/273036/20), and the MKC Response (Document Number MKC/35) to the Report.

1.2 At the conclusion of the examination session held on the 25th July 2012, the Inspector requested the Council submit several documents to her one of which was:-

3. Factual note responding to NLP note (employment) /statement of common ground

The Council’s response to the NLP report (Milton Keynes East Employment Land Assessment Berkeley Strategic May 2012) is document ref MKC/35. Responding to the suggestion by Mr Sellwood of a statement of common ground, NLP/Berkeley subsequently met with MKC officers on 20th August 2012. This note provides a summary of the points made in response by NLP that, except where specifically noted, have been agreed by MKC. Where the parties continue to draw different conclusions on a particular point (notably paragraphs 4.7, 4.11 and 4.21) this is identified in the text.

2.0 Agreed Changes to Policy Wording

2.1 Notwithstanding what follows below, as set out at para 1.3 and 1.4 of MKC/35, MKC and Berkeley Strategic have arrived at an agreed conclusion and put forward agreed wording changes to the supporting text of Policy CS3, by way of modifications to paragraphs 5.21 and 5.23, and new text within Policy CS3. These are as follows:
“5.21 MK has a key role as an employment centre within the South East Midlands LEP. As with housing supply, there is a substantial existing supply of employment land in the Borough, however, there are some qualitative deficiencies in this portfolio of employment land which may need to be remedied in the medium to long term to achieve all of the objectives of the Council’s Economic Development Strategy including to support local and inward investment. As well as the jobs created in firms occupying developed employment land, other jobs will be created in retail, education, health and other services. Potential job creation from these sources is identified in Table 3 ‘Jobs potential of existing and new employment locations’.”

5.22 Paragraph unchanged

“5.23 The proposed review of the Core Strategy (Plan:MK) will reassess the adequacy (both quantitative and qualitative) of the existing portfolio of employment land and take forward the need if evidenced for new strategic employment allocations to meet the economic and housing growth potential of MK including the development needs of business, by providing locations to support clusters of knowledge driven and high technology industries. If monitoring shows…” (rest of paragraph 5.23 unchanged)

**Policy CS3**

**Proposed Amendment – to form a new paragraph in Policy CS3, prior to Table 5.2 – Employment Land Allocations in Milton Keynes**

“Account will be taken of any need to make further employment allocations to widen the quantitative and qualitative supply of sites, where there is evidence. These strategic employment allocations will support the delivery of the key priorities of the Economic Development Strategy (EDS). To meet the need for local and inward investment, strategic allocations will need to achieve sufficient critical mass and be in high profile locations well related to the strategic road network.”

2.2 For ease of reference, the remainder of this statement is structured in terms of the headings contained in MKC/35 to address points raised at para 2.1 onwards of the document. **Specific paragraph numbers given below (in bold) refer to MKC/35**, cross-referenced to the NLP ELA report where appropriate. A number of the points made in MKC/35 recap on the contents of the NLP report and are not repeated here.

3.0 The Milton Keynes Property Market (NLP ELA chapter 3)

3.1 Para 2.2– the Council queried the justification and source of the evidence on unmet enquiries for office and industrial premises set out at para 3.20 and 3.40 of the ELA report. NLP has confirmed that these were obtained from the consultation with commercial property agents as detailed at Appendix 1 of the
ELA report. Commercial property agents maintain their own records of enquiries as part of their market intelligence. Commercial agents do not typically publish this data, but reporting their market commentary in this way is well established in Employment Land Review evidence. NLP can confirm that the agency feedback cited in the report does not double count enquiries or the floorspace estimate associated with it.

3.2 Para 2.3 – the Council queried a number of points regarding how enquiry data might be interpreted, suggesting that unmet enquiries may not always be due to a lack of supply of space but could reflect the current economic climate, lack of investors and difficulties bringing forward speculative development. Although the last point is understood, NLP do not believe this to be the key factor – in itself, it could be argued that the presence of unmet enquiries (i.e. latent demand) potentially reduces the extent to which any new employment development in Milton Keynes would need to be entirely speculative. Either way, it reinforces the value of a scheme like MKED that is of a scale and backed by a developer (Berkeley) with the (financial and capability) credentials necessary to up-front fund investment in a site and deliver necessary infrastructure and speculative development that can help the city meet future investment and/or other business enquiries.

3.3 Para 2.4 – the Council suggested that para 3.46 of the ELA report may underestimate the capacity of the Open University or UCMK to choose to be involved in anchoring a knowledge/technology park in Milton Keynes. NLP note the point, and recognise that either institution might conceivably be in a position to do so in future – however, it is not part of either institution’s current model (in contrast to some institutions elsewhere) and there is no immediate evidence of them making that choice in future. NLP would observe that the prospects of either OU or UCMK providing an anchor role of this type may be more likely if there is a substantive and credible scheme in which either institution could choose to invest.

3.4 Para 2.5 – the Council queried NLP’s reference at para 3.42 to a lack of new modern industrial and logistics buildings. The Council suggest that this may be due to “very little demand”, based on Table 4 in document 127A which shows a net decline in industrial floorspace. The Council infer this reflects that “the city has become more a service rather than a manufacturing economy”. (See table 2 of document B127A)

3.5 However, NLP considers the position is more nuanced:

1 net completion rates of industrial floorspace are only a partial indicator of demand – completions may be artificially suppressed where there are qualitative deficiencies in the land supply, whilst some firms can grow and expand without necessarily requiring significant additional floorspace due to efficiency improvements;
2 there has been an overall net reduction in the amount of B1c and B2 floorspace within the Borough over the period 2004-2011, when net losses of floorspace have exceeded net gains of floorspace. However, this masks the churn effect: in each and every year there have been net gains in either B1c or B2 floorspace, indicating a market where there is a consistent trend of new space coming forward to meet the demands of businesses, even whilst the overall net effect is downwards. This in part reflects the age of some of the existing stock of space in MK.

3 In this context, the net figures mask the fact that there have also been gains of about 80,000 sq.m of B1c/B2 floorspace during this period.

3.6 Para 2.6 – the Council queried the interpretation of inward investment data (as supplied to NLP by InvestMK) which points to an average of only three jobs attracted per firm. The Council contend that (1) InvestMK reacts to market demand from a whole range of business (large and small); (2) use of averages does not provide a full picture; and (3) around 80% of MK businesses employ fewer than 10 people so one would assume that the majority of IMK support would be to these businesses.

3.7 NLP would respond to these points as follows:

1 The nature of enquiries submitted to InvestMK (and in turn their job potential) is partly a function of the perceived opportunities that exist – if larger firms do not perceive that MK can accommodate their needs, this will not be reflected in the enquiries that IMK receive.

2 The analysis is limited by the information that is available, and NLP does not have access to the job numbers associated with individual investments, but accepts that there may have been larger individual investments, although these are evidently in the minority. It is understood that IMK is seeking to address issues regarding its data; (See document MKC/40 Receiving and monitoring Employment Land Enquiries in the Council).

3 The purpose of organisations such as IMK is to attract inward investment (i.e. new businesses looking to make an investment in an area), and so the average size of existing firms in MK is of less relevance to their performance. The underlying point is that recent inward investments to Milton Keynes have been concentrated in relatively small businesses of about 3 jobs on average. By contrast, in 2011/12 UKTI reported an average of 80 jobs per inward investment project into the UK¹ which indicates that larger scale investments are being successfully accommodated in other parts of the country.

¹ Inward Investment Report 2011/12, UK Trade & Investment
4.0 **Assessment of Employment Land Requirements & Adequacy of Current Supply of Employment Land (NLP ELA chapters 4 and 5)**

4.1 Para 3.1/3.2 – The Council offers a commentary on the breakdown of the employment land portfolio. The total supply of employment land within the Borough is 204.9 ha but in calculating the jobs potential of this land the Council has discounted some sites and used a figure of 184.6 ha including 5.05 ha in Campbell Park.

4.2 Para 3.3/3.4 – the Council agrees with the NLP findings in respect of CMK offering a number of sites for office development and its note factually reports on a number of items, including the observation that the Council is concerned about the deliverability of development within CMK, and with the exception of the Pinnacle building in Midsummer Boulevard the lack of development prior to Network Rail HQ.

4.3 Para 3.5/3.6/3.7 – The Council observes that it intends to more actively market sites within CMK and carry out more development brief preparation. It also identifies proposals to carry out a land swap between land in Campbell Park and Land on Site B4 within CMK. This will move office development closer to the Rail Station.

4.4 NLP agrees that this appears to be a positive approach and in the long term will help to address market-based concerns on Campbell Park. However, it is understood that:

- The CMK Development Framework Review is not yet complete.
- The land swap is not yet formally completed and has no status as yet.
- It is not reflected within any proposed amendment to the Core Strategy.

4.5 On this basis, NLP does not consider that significant weight can be attached to these factors in the current Core Strategy until such time as they are formalised appropriately in policy terms.

4.6 Para 3.8 – NLP’s report queries the ability to deliver 12,000m² of space per annum in CMK, noting the average take-up rate is 3,000m². The Council has suggested that Network Rail (a 38,000m² building) indicates in excess of 12,000m² can be completed in a year. NLP agrees this as a statement of fact. It is agreed, however, that:

- Network Rail is a unique organisation (a national quasi-public sector organisation, requiring a single large floorspace building close to the rail station), and its requirement is unlikely to be repeated on an annual basis. Until a planning application is made there are understood to be no equivalent occupiers in the current pipeline in CMK meaning there is no immediate stimulus for an increase in the rate in the short term.
If added to the average net take-up rate, it would indicate a net B1a office completions rate of c.8,600m² pa, only slightly above the Council’s ‘cautious’ estimate and still significantly below the 12,000m² assumed rate.

4.7 The NLP report discounted 55.2ha of sites from the 184.6ha based on the conclusion that information of site constraints provided by the Council shows a number of constraints that increase the risk or uncertainty facing a development, which means the sites should not be assumed to be part of the deliverable supply of sites. These include matters relating to archaeology, drainage, ecology (including Great Crested Newts), flood risk, contamination and other factors such as oil pipeline across one site. The Council does not agree with NLP’s discounting.

4.8 Para 3.9/3.10/3.11/3.12/3.13 – the Council believes NLP’s view is too negative on the impact of these factors. Having reviewed the further information supplied by the Council, NLP accepts that there are some sites where it could be possible to draw a more positive view based on the Council’s comments and assuming a benign market at a point within the plan period. At Appendix 1, NLP has set out a more detailed table setting out the proposed position on each site.

4.9 NLP agrees (as stated at para 5.46 of the ELA report) that in many cases these factors are generally not technical ‘showstoppers’ to development. However, for some locations, the fragmented nature of employment allocations (which as a result of past development often comprise disparate plots) means the ‘allocations’ are actually a series of small plots which are more or less affected by the constraints and can be discounted or retained accordingly. Multiple constraints have a disproportionate effect on small sites.

4.10 Generally, NLP’s position is that constraints or uncertainties do militate against development interest in a risk-averse climate (as is likely to prevail in the short term), and show the benefits of having a proactive developer/development partner standing behind (and driving) a scheme, as is the case with MKE and Berkeley. MKC would acknowledge the business climate is risk-adverse and this affects business decisions which may result in buildings not being occupied.

4.11 NLP notes that some of the plots within the sites in question are subject to other market factors, such as poor location/profile, and could arguably be regarded as having limited market potential in a similar way to the Council’s discounting of sites <1ha). However, the Council does not agree with this view.

4.12 The Council makes a series of observations about the development typologies identified by NLP but does not demur from the basic thrust of these.

4.13 Para 3.14: Science & Technology or Knowledge/Technology parks can be different sizes, and some University-backed science parks have started small.
NLP does not disagree, but considers that the position is ultimately about deliverability; there is currently no University-backed instigation for a science park in Milton Keynes, so any proposition needs to be a commercially-backed one, capable of attracting finance. This means a scale (and quality) of site capable of attracting investment and developer interest. There is understood to be no such allocated site currently within the MK portfolio where a science park is being actively promoted.

4.14 The Council reference competition from Cranfield Technology Park and Silverstone. These locations do contribute to an important industrial cluster around MK. However, these sites are outside the MK area and contribute towards meeting the needs of those authority areas, and will not directly contribute to MK’s economic ambitions, albeit they provide indirect benefits and employment opportunities for MK consistent with local commuting patterns. MK must perform its own role in this wider cluster. These locations are also focused on specific sectors, and are proceeding at different paces. There is no evidence to suggest they undermine the need for, or ability to deliver, a science/knowledge park in MK itself. Indeed they represent competing locations that may draw investment away from MK if it does not plan proactively.

4.15 Para 3.19: the Council agrees there is no site of 20-25ha suitable for a Strategic Office Park. It is agreed that sites such as Shenley Wood provide for 17.8ha of low density office space, but this is on the western side of the city and in a different strategic location. The Council notes that other sites are allocated for B1, but often alongside B2/B8 or are much smaller in size. Eagle Farm is a new site of 12ha as part of the SLA, but the Council’s own framework for the site does not identify it specifically for B1a offices, although it is not ruled out (See document MKC/36 for further details).

4.16 The Council and NLP agree that some out of centre office locations are required to accommodate growth and meet business needs, but this needs to recognise the NPPF sequential approach, which seeks to focus offices as a main town centre use, but also identifies (in paragraph 23) that plans should “set policies for the consideration of proposals … which cannot be accommodated in or adjacent to town centres”.

4.17 Para 3.20: the Council considers that the only location large enough for a Major Inward Investment Site is by combining plots at Magna Park. NLP agree this is correct in terms of size, however, this is not how the site is being marketed – given its focus on logistics. It is also the case that relying on a single large site (such as Magna Park) alone, limits the choice available to occupiers/inward investors in the event they cannot agree commercial terms with the owners of that site (as has been the case with sites in MK) potentially resulting in investment being lost to MK.
4.18 Also in respect of **Para 3.20**, the Council question whether an inward investment site would be attractive to developers when agencies around the country offer financial inducements. However, it is understood that:

i One of the six priorities in MK’s own Economic Development Strategy is to “promote MK as a premier location for inward investment”.

ii There are greater flexibilities (e.g. through Local Government finance reform) for Council’s to offer incentives for investments (or to attract Government inducements, e.g. via future EZ designations or equivalent). Without a site, it is not possible for the Council or any agency to have a product against which it can offer inducements.

iii Not all inward investment relies on local financial incentives, which are in any case limited by State Aid rules.

iv SEMLEP has a priority for Inward Investment across its whole area, including Milton Keynes.

v The Centre for Cities Outlook 2012\(^2\) has identified Milton Keynes as being “well placed to drive the national economic recovery in this difficult economic climate.”

4.19 **Para 3.21:** In respect of the Strategic Logistics Park, the Council observed that it allocated 97ha of land (now Magna Park) for B2/B8 (incl. logistics) of which 71.6 ha is left, and notes that no rail link is proposed east of the M1. It indicates it wishes to investigate rail freight further through the employment land review. Drawing on its own expertise (having advised on Daventry, Howbury Park and other SRFIs) and input from commercial agents interviewed as part of the ELA report, NLP considers that although rail freight is an important and growing part of the logistics sector, it is a distinct, separate part of the logistics sector and complementary to the market for road-based logistics activity which will also continue to grow. This is clear from Magna Park itself as well as numerous B8 facilities across the UK. However, given the limited opportunities for rail links to such sites within MK itself, those with such potential should be investigated.

4.20 **Para 3.22:** The Council cited data showing the workforce in transport and storage reduced between 2008 and 2010 but B8 space increased. In response, NLP would comment that:

1 During a period of recession, employment densities would be expected to reduce even within a static or growing area of floorspace. The longer term position is of more importance.

\(^2\) Cities Outlook 2012: Centre for Cities January 2012
Lower growth of employment in logistics may be a function of the market and economic circumstances during the 2008-10 period, with some sites for B8 development in MK not coming forward due to commercial property market factors. The NPPF does not make its focus on economic growth conditional upon net job growth in each development.

The economic benefits of new, more efficient logistics space in MK cannot be inferred (or challenged) from two years of ABI/BRES data on employment given the data uncertainties associated with ABI/BRES data at a local level in the short term. However, while it is acknowledged there can be revisions to data sets, this is the most up to date information available.

Para 3.23: The Council identifies alternative sites for logistics, but NLP notes the need for a qualitative and quantitative range and choice of sites to ensure MK is effective in attracting the investment. NLP’s view is that Magna Park is the only large site available, which puts too much reliance on one site/developer to meet the needs of that important market, when there may be commercial reasons why it is not possible to meet specific needs there. An additional site would provide a greater range and choice of sites to the market over the lifetime of the Core Strategy or Plan:MK period. However, the Council does not agree with NLP on this point.

Para 4.1/4.2/4.3/4.4: the Council provides specific comments on its view of the calculation regarding how much land MK needs in future:

a For the Core Strategy target scenario, the Council have asked for further information on how this has been calculated. NLP is able to summarise the key steps involved as follows:
   i Adjusting the 42,000 job target to 2026 for the period 2011-2026 (i.e. 2,625 jobs p.a x 15 years = 39,375).
   ii Within this constrained overall total, apportioning growth to B-class sectors using latest Experian growth rates for those individual sectors (either in whole or part) which equate to requirements for office, industrial and warehousing space (in line with standard employment land review methodologies).
   iii Application of safety margin, employment densities and plot ratios as detailed in the report.

b For the past-take up scenario, there are some minor differences in the take-up figures used and plot ratios applied by NLP and the Council’s alternative analysis. However, the result of the calculations is that where NLP estimate a requirement of 224.7 ha between 2011-2026, the Council estimate a slightly lower requirement of 217.9 ha. The identified difference of 6 ha is considered de minimis for the purposes of estimating future needs over a 15-year period, and therefore not a matter of dispute.
4.23 **Para 4.5:** the Council’s estimate is that MK only runs short of employment land in 2023 based on NLP’s data. However, this is to infer that timing of the shortfall in employment land should be measured in this way, when clearly there are qualitative factors at play including how attractive each plot is for development (no information on the site-by-site market assessment is included within the Council’s current evidence base but is understood will be set out in its future review).

4.24 **Para 4.6:** In general terms, the Council believes there is a need for further evidence to support the MKE proposal, including:

- Detailed analysis and evaluation of the site against alternative locations - NLP has reviewed potential alternative sites and in its view this has confirmed MKE as the best performing location in terms of meeting strategic employment needs. NLP accepts this will help the Council reach a conclusion on MKE and proposes to share its draft findings with the Council outside the Core Strategy Examination.

- The lack of details of companies or academic institutions to occupy premises at MKE - NLP can advise that Berkeley is in discussions with potential occupiers, but clearly it would not be expected to reveal or confirm occupiers at this stage in the planning process, and no such requirement has been made of other employment allocations in the Core Strategy (such as Eagle Farm).

5.0 **Other Matters**

5.1 On the final page of MKC/35, the Council includes a plan showing Environment Agency (EA) Flood Zones 2 and 3 overlaid on the illustrative masterplan for MKE prepared by Berkeley Strategic. In general terms it is worth noting that the employment uses proposed for the MKE site are acceptable within Flood Zone 2. More specifically, however, it is not clear whether the flood zones shown by MKC are the latest available from the EA. In this regard, NLP would draw attention to page 3 of the document that was prepared by WSP and submitted to MKC on the 26th July 2011 as Appendix 4 to Berkeley Strategic’s response to the Core Strategy ‘SA of Reasonable Alternative Sites’. Paragraph 3.1.3 of the WSP work confirms the following:

“A hydraulic model of the Milton Keynes river system has been prepared by the Environment Agency (EA) and this has been augmented by a topographical survey of the Lovat Park site. This was prepared on behalf of Berkeley Strategic and has allowed the EA to more accurately define the flood plain within the Lovat Park site. This shows strong correlation with the original EA flood mapping. In addition flood model testing for climate change sensitivity has been undertaken in accordance with the requirements of PPS25. On this basis the EA has confirmed that it has no objection in principle to development on the Lovat Park site as long as the flood plain is avoided.”
5.2 From Berkeley’s review of the Plan in MKC/35 it does not appear that the EA zones shown by MKC reflect the flood zones based on the more detailed topographical survey, but in any case the key conclusion to draw is the final sentence of the above extract from the WSP report.
## APPENDIX 1: CONSTRAINTS ON VACANT EMPLOYMENT SITES

MKC comments and NLP responses on vacant employment sites

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<thead>
<tr>
<th>Site (ha)</th>
<th>MKC comment</th>
<th>NLP response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newton Leys (5.9)</td>
<td>Site has planning permission, constraint of stream taken into account when permission granted for development. Housing has been built on site, employment development yet to start</td>
<td>NLP accepts that flooding issues can be overcome, but questions the attraction of this site for employment particularly in view of adjoining residential and remoteness from established employment areas.</td>
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<tr>
<td>Linford Wood (5.1)</td>
<td>Existing business park. These constraints are not anticipated to effect development. It is only on site G that that a newt survey is expected</td>
<td>NLP accepts that constraints may be overcome, but essentially this site is a series of undeveloped plots, each only 1-2 ha in size.</td>
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<tr>
<td>Shenley Wood (17.8)</td>
<td>See comments at paragraph 3.12 of MKC/35</td>
<td>As stated at para 5.46 of the ELA report, NLP recognise that constraints may not be insurmountable in purely technical terms, but on a site such as Shenley Wood would underline that these constraints present additional barriers and costs to delivery.</td>
</tr>
<tr>
<td>Snelshall Park in NLP statement refers to Snelshall West &amp; East (6.8 ha)</td>
<td>Flooding issues have not prevented development on both parts of Snelshall Site D (3ha) on Snelshall West excluded from MKC calculation of jobs potential as twin oil pipelines cross site. Even though, HCA indicate only 0.75 ha is constrained by these pipelines.</td>
<td>NLP accepts that the single plot to the east is relatively unconstrained, but considers that the western plots are significantly constrained by virtue of flood risk and pipeline.</td>
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<tr>
<td>Site (ha)</td>
<td>MKC comment</td>
<td>NLP response</td>
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<td>Towergate (7.2)</td>
<td>See comments at paragraph 3.13 of MKC/35</td>
<td>NLP acknowledges the planning history of this site (refused Eurobuns proposal), but consider that this in itself has created a negative perception of the site which may weigh against its attraction for employment development.</td>
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| Walton / Intervet (9.5) | This was a site by the Open University identified for a Science Park in document B19.  
Part of site (1.8 ha) is in floodplain of the river but that can be designed around | NLP agree that design may be used to overcome the floodplain, but this requires an assessment of the site’s realistic net developable area. |
| Wolverton Mill (3.9) | Mixed employment/housing area  
Site G excluded from jobs potential analysis | The site is effectively a series of fragmented small plots, with both existing and potential future residential located nearby. |