Milton Keynes Core Strategy Examination
Matter 8: Infrastructure – Milton Keynes Local Investment Plan

**FLP Response to MKC/33**

1. **Introduction**

The Local Investment Plan (LIP) Consultation period commenced in advance of the Core Strategy (CS) EiP and will conclude prior to the soundness is determined by the Inspector. Further reviews or additional consultations of the LIP should be held in abeyance until such time as any directions or suggested changes to the CS are reported. This could have a profound effect on the order of priorities within the planned infrastructure programme and the ability to realise the economic growth for Milton Keynes. Appended is our submission to that process

2. **Overview**

- The Councils record of delivery was recognised at the EiP but this was largely predicated by funding from the HCA through Milton Keynes Partnership alongside investment available from the MK Tariff. The ‘safety net’ of this Agency to provide any shortfall in funding to deliver the planned infrastructure is less likely to be available. As such future confidence in obtaining the finance has not been evidenced.

- The Tariff appears only to provide £311M for the infrastructure fund. At a Tariff Rate of £18.5 k this would require 16,810 homes built. The MKP overview assumed only 15,000 homes. Thus there already appears to be a potential shortfall notwithstanding and new planned infrastructure not envisaged at the time the Tariff rate was set.

- There is no evidence to support the claim that from an investment of £73M a total value of projects amounting to £210M has been delivered. This is also largely a subjective measure such as it could be claimed that a road scheme costing £5M was the infrastructure investment that delivered 1,000 homes with an end value of £100M. (£100,000 build cost per dwelling) The issue is to sustain the economic growth of Milton

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1 FLP Consultation response on MKC LIP submitted 22nd August 2012
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Keynes City. Thus the assumption must be all of those scheduled planned projects are necessary.

- The ‘shorter’ list of 80 priority projects has not been made available. The LIP consultation would also have benefitted from this information assisting stakeholders in their efforts to properly consider matters which are now largely historic.

- As stated above the current LIP consultation has been somewhat premature where the context required the benefit of having access to the Councils Capital Programme, the priority projects, the budget estimates for each and specific ways in which the funding is to be secured. This level of information was not included.

- The Council has given no evidence that the gap in funding can be viewed as ‘manageable’ on the basis that only 25% of the MK tariff sites are outstanding. The costs information has not been provided for the planned infrastructure for either the 80 or 230 projects lists.

- The Council mentions the New Homes Bonus as an important source of funding but has not clarified the expectation of the capital receipt and the number of dwellings included in this Government initiative going forward. IE the point at which NHB becomes payable in the trajectory on the homes delivered and the overall estimate. As pointed out in both our submission to Matter 4 at the EiP and the LIP consultation this is one funding stream that could be increased should the CS relate to the growth expectations provided in the South East Plan.

3. Local Investment Plan prioritisation process

The cost of the 80 Projects amounting to £725M has not been evidenced. Assuming the Council are correct in their estimates this still gives a shortfall of 40% being £290M. It is difficult to understand the Councils belief the funding gap
can be described as 'Manageable'. The absence of a funding strategy and the ramifications should the shortfall not be significantly closed are a serious omission.

Our view is that only by increasing housing and employment growth will sufficient additional funding be secured.

4. Funding Sources

The principal issue is the lack of clarity on other sources of funding other than the MK Tariff. This point has already been made above and in our representations to the LIP.

Quantifying the shortfall and potential sources for additional funding should have been provided at the time of the CS so that a test of soundness could have been applied at to whether the plan can be delivered and/or the remedies should investment not be forthcoming as envisaged.

In the current timetable these important and vital financial details will not be known by the time the Inspector is due to report in early-September 2012. As such a judgement has to be made as to whether the plan can be made sound and the intended economic growth will still be sustainable fuelled by the much reduced housing targets to 1,750 per annum.

The New Homes Bonus is the route given by the Government to unlock economic growth. However, it is also true that the funds generated are not ‘ring fenced’ for Planned infrastructure. As such the statement by the Council ‘Full Council agreed the New Homes Bonus could potentially be a resource to invest in the future.....’ is cause for concern as there is no definitive commitment. As at anytime the NHB funds could be diverted to running Council services more NHB funding generated by meeting the growth as envisaged in the South East Plan becomes more critical.

No evidence has been provided that funds collected via CIL arrangements will bridge the funding gap.
5. Milton Keynes Infrastructure Tariff

On the transfer of Assets from the HCA there has been no disclosure on the arrangements in respect to borrowing costs. One would anticipate these will need to be underwritten by MK. This is highlighted in Table 1 as looking at the receipts row out of £180M expected only £24M (£13.3%) has been received. Thus some of the planned infrastructure may be in advance of the cash receipts and therefore financial charges may reduce the actual funding available for the works prescribed. This deficiency may require even greater investment than originally anticipated which will have to be provided from other sources.

As has been mentioned the successful past implementation has relied on HCA funding as well as the tariff. It would therefore appear that from a spend of £73.3M less receipts of £24M has meant the HCA has underwritten £49M of works. A massive commitment which now has to be solely managed by MKC.

This has been recognised in the ‘Approach to managing the Tariff risk’ section. Again £22M (7% of the £311M) of known risks may be shared (on what basis unknown) with the HCA but where the remainder has to be borne by MKC. Added to which is the £6M commitment to the East-West Rail project clearly shows the current level of uncertainty.

These factors must weigh heavily as to whether the CS is sufficiently robust to deliver the strategy within the plan period with the reduced growth suggested being vastly different from that which was envisaged when the MK tariff was set and the planned infrastructure compiled at the time of the South East Plan.

Appendix 1

FLP Local Investment Plan Consultation Response: 6th June -31st August 2012
(Including Appendix 1: HBF Model to assess New Homes Bonus.)
Fox Land and Property

Local Investment Plan Consultation Response

6th June – 31st August 2012
Introduction

These submissions have been prepared by Fox Land and Property on behalf of the Bow Brickhill Consortium.

1.0 General

1.1 The Consultation is premature in that it overlaps with the Examination In Public (EiP) of the Core Strategy¹ and will be completed in advance of the Inspectors Report into the soundness of the submission document. Issues were raised by the Inspector as to the approach which will not be known until after this Consultation close of the 31st August 2012 albeit a further response has been issued by the Council.²

1.2 The Local Investment Plan (LIP) does not:

1.2.1 Give details of current reliable funding other than the MK Tariff. The proportion of identified infrastructure if investment falls short remains unknown.

1.2.2 Provide an estimate of potential funding and the basis of how this is calculated via the New Homes Bonus³ or any new S106 Planning Contributions prior to the setting of a future Community Infrastructure Levy (CIL)

1.2.3 Provide budget estimates for individual or total planned Infrastructure. Without such the impact if less funding is available cannot be quantified.

1.2.4 Provide an order of priority for the essential infrastructure. As such the resilience of the LIP delivery is not evidenced. Schemes that might either stall or have to be abandoned are not identified. The Community will remain uninformed as to exactly what will be realised and the schemes that remain an aspiration.

1.3 The Infrastructure requirement is based on a housing delivery of 1,750 homes per annum in the Plan Period which does not reflect the requirement established by the South East Plan of at least 2,068 per annum. On this basis the whole principle may be an unsound proposition should the Examining Inspector agrees.

¹ Held between 10th -12th & 24th/25th July 2012
² Matter 8: Infrastructure & LIP response to the EiP. Ref MKC/33 (Issued 16-08-2012)
³ Although details have been provided in the Councils MKC/33 response.
This document therefore fails in providing a basis for understanding of the infrastructure delivery to realise the economic growth for Milton Keynes.

2.0 The Purpose of the LIP

2.1 The purpose of the LIP states that it focuses on projects that with reasonable and appropriate effort can be realistically delivered. This is not evidenced in the document as no details have been given in respect to:

2.1.1 Actual funding secured and to what elements of infrastructure this investment relates to as identified in the Annex - Project Schedule
2.1.2 Anticipated funding, the source and when it will be available
2.1.3 Shortfall funding and if this cannot be addressed which project can no longer be realistically delivered.

2.2 Contrary to the statement in this section there is no evidence in this document of any cost associated with the identified infrastructure.

2.3 The purpose of the LIP states that it is to ‘identify the minimum infrastructure to enable growth to come about on a successful and sustainable basis’ There is no evidence in this document of any prioritisation associated with the infrastructure particularly when viewed against the potential deficiency in funding.

2.4 Under the Challenges heading reliance is placed on the South East Midland Local Enterprise Partnership (SEMLEP) as a growth delivery mechanism. Whilst it can certainly be a political voice for the region it does not have any independent project finance. This forum does not add to guaranteeing that the critical infrastructure can be delivered. The secure ways to address funding shortfalls is either by private investment or central government funding that comes about through growth; principally via the New Homes Bonus (NHB).

2.5 “Duty to Cooperate” with neighbouring authorities will not deliver infrastructure such as the dualling of the A421. Funding sources available to Milton Keynes is the only guaranteed approach and therefore misleading to give the impression this partnership approach will provide the shortfall.

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4 Final Paragraph p8
5 7th Paragraph p8
6 3rd paragraph p9
3.0  How the LIP is to be Funded.

3.1  The statement “The LIP identifies the main potential sources of funding for the identified infrastructure requirements” is one of an aspiration and no guarantee that with the exception of the current MK Tariff arrangement there is any additional funds available. If there are known funds no information has been provided.

3.2  More guidance could and should have been given to provide stakeholders with meaningful information as to the difficult choices in respect to schemes that will not go ahead if investment falls short. If this is the case what are the alternatives. For example further growth could provide certainty in secured funding as a result of the New Homes Bonus the benefits of which are described in Paragraph 3.4 below.

3.3  Since the austerity measures were introduced other centrally available growth funding cannot be relied on. Public funding streams (from the Government quangos which were set up to both drive infrastructure and land releases for development) has all but disappeared.

i)  The Regional assemblies and associated growth funding abolished in 2010 which were then vested in the Development Agencies has ceased operating on 31st March 2012.

ii)  The scrapping of Building Schools for the Future (BSF) funding

3.4  As the LIP identifies more reliance has to be placed on private investment to deliver the planned infrastructure. Whether the replacement CIL mechanism will be sufficient is a vital assessment which has not been dealt with in the LIP. This may not be the case as:

3.4.1  The MK Tariff rate of £18,500 was predicated on growth of the scale identified by the South East Plan which not only included the 15,000 homes already identified but commensurate employment land opportunities. What can be drawn from the current arrangement is that:

•  The tariff was based on an expectation of 33,900 new homes.
•  The contributions would not have considered the disappearance of the BSF Programme

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7 8th Paragraph p 2 of 3
8 MKP Overview of the Infrastructure Tariff
The contributions would not have considered the additional infrastructure now identified in the LIP.

3.4.2 The reduction in growth has a significant effect to meet the planned infrastructure. Assuming the current MK Tariff rate (or replacement CIL) continues then the difference in income resulting from a reduction of 7,736 homes between the South East Plan Requirement and the CS gives a shortfall in funding of £14.3M.

3.5 There is no suggestion of how this shortfall can be overcome in the LIP and has lead to an uncertain future as to how, who and when will the infrastructure be implemented.

3.6 In a positive pro growth strategy as suggested by National Planning Policy Framework one can look to the NHB as a way of securing additional and significant funding. For example the Homes Builders Federation (HBF) sought to estimate the significant contribution this would make to stimulating the nations economic growth. The positive effect for Milton Keynes (Appendix 1) if housing growth matched the South East Plan requirement the additional 7,736 homes would generate an estimated funding increase of £69M over the current CS proposal.

4.0 Criteria for Prioritising Projects

4.1 Whilst the bullet points are a reasonable attempt to identify how sites will be prioritised no attempt has been made to identify:
   - Such infrastructure that rank in priority of others
   - Which items are linked and need to implemented simultaneously (IE such as infrastructure serving a particular development area) before other indentified priorities

4.2 The period of review as mentioned in the tenth paragraph of this section is not supported. As the prospects of actual funding availability is uncertain there should be a quarterly assessment published as to the relationship between current infrastructure costs against guaranteed financial resource. Without this the ability to react quickly only on an annual basis with a refresh every two years is too long a period to make any necessary adjustments.

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9 32,779 SE Plan requirement as against 25,063 remaining in the CS  7,736 homes * £18.5 k
5.0 Consultation Process

5.1 The second draft of the LIP consultation should be delayed until all outstanding issues from the EiP and the Inspectors Report is available. This may have a profound effect on the strategy and is no better demonstrated by most recent response from the Council and statements made at the public hearing sessions of the EiP.

Additional Information raised at the EiP in respect to the LIP

East West Rail

5.2 It was recognised by the Council that insufficient regard had been taken in Policy as to the benefits and opportunities that will arise by ministerial confirmation that this infrastructure project now is a firm commitment to be implemented by 2017\textsuperscript{10}.

5.3 The Council has also confirmed that East West Rail project now requires further dialogue with interested parties along the route of the line within the Borough to capitalise on the significant economic, environmental social and potential operational benefits of the service. This could include the potential for any additional crossings that could ease the pressure at the level crossings at Bow Brickhill, Woburn Sands or where there are dangerous existing footways or bridleways.

5.4 The success of the scheme also relies on commitments by Local Authorities in which gain the economic benefit of the improvements such as Milton Keynes. The request has been for £50 million total investment by these Councils where Milton Keynes confirmed share is in the order of £6 Million. This amount is not linked to any development programme but a stand alone contribution. As such the LIP should have identified this figure as a ‘ring fenced’ priority and provided specific guidance how this sum shall be funded?

5.5 Funding priorities could therefore change which supports the point already made as to the prematurity of this consultation as an overlap with the EiP.

Dualling of the A421 Kingston Roundabout to Junction 13

5.6 Contrary to the LIP it was suggested that the Council had no immediate intention to fund this scheme particularly as the majority would be within Central Bedfordshire.

\textsuperscript{10} HM Dept of Transport High Level Output Specification (HLOS)
5.7 MK Tariff

5.8 It was suggested the current spend for infrastructure amounts to £73.3M. If this is the case such an estimate should have been presented in the LIP giving some context as to what remains to be collected but that has been legally secured in association with the final anticipated Tariff fund. Thus any shortfall identified could have led to the real debate as to whether Milton Keynes wishes to abandon any planned infrastructure against alternative funding solutions.

Additional Response by MKC to the EiP (Submitted Paper to Matter 8 – MKC/33)

5.9 This most recent response provided by the Council since the published LIP provides further conflicting detail as to the proposed strategy. The concern is that the circulation of this additional information has a limited audience and yet crucial to a transparent consultation process. Whilst a full response to this topic paper will be made separately it is useful to highlight that the Councils Matter 8 response:

- Provides a level of financial information that does helpfully assists an understanding which did not form part of the LIP consultation.
- Confirms there has been a sifting of Planned Infrastructure Projects to 80 but are not identified in the LIP
- States the intention is to publish for Consultation the ‘synchronised’ capital programme.
- Mentions the significant role of the NHB but does not identify the cash available.
- Confirms the Council has identified a significant number of risks where a residual gap may result which supports the thrust of this representation that the LIP must have a greater strategic emphasis on how growth can continue where current funding expectation does not happen.

6.0 Key Delivery Partners

6.1 The LIP does not present to true picture, the complexities and potential funding issues in respect to the Asset transfer from the HCA. This is particularly so in respect to the MK Tariff. Within the MK Tariff SPD July 2007 the fund has been managed by effectively the HCA via MK Partnership. In respect to the anticipated fund (£310 Million) it identifies that even through this method of planning contributions there is an estimated shortfall of 25%. This would lead to a funding shortfall on the original infrastructure predictions in the LIP of £77.5 M.
6.2 Under the arrangement with the Transfer who is now liable for such a shortfall? This is not dealt with in the LIP and the assumption must be a requirement from either the Councils financial reserves or as yet an unidentified source.

7.0 Annex A –

7.1 LIP is that it does not identify for the planned infrastructure:

i) Any cost estimates to implement the identified infrastructure
ii) If funding has been identified the source
iii) If a funding gap exists how the shortfall is to be obtained
iv) A remarks column as to the likely success of achieving the funding gap, when and any time constraints put on the availability of funding

7.2 Although the paragraphs in the LIP identified that a judgement has to be made on:
   • Priorities
   • Deliverability

And
   • Sustainability

There is no attempt to rank or explain how each planned infrastructure performs against the aforementioned criterion.
**TROUBLESHOOTING? Please read below.**

**How to use the Calculator:**
1. If there is a security warning above this spreadsheet click on options and select - Enable macro's on the excel spreadsheet - otherwise it won't work.
2. Select the local planning authority in which your site falls;
3. Fill in the numbers of Open Market and Affordable Housing units in row 8 and 10. For convenience we have shown 0 as the default number in each column.
4. The value of the Bonus to the local planning authority will be calculated automatically and shown in Columns H and I.