



TOWN AND COUNTRY PLANNING ACT 1990

S78 APPEAL AGAINST THE REFUSAL OF PLANNING PERMISSION

Evidence: Economic Matters

Witness: Michael Moore BSc (Hons), MSc, Dip TP, MA, MRTPI, MCILT.

Reference: PINS APP/Y0435/W/20/ 3251121
LPA 19/01818/OUT

Appellant: HB (South Caldecotte) Ltd

Site: South Caldecotte Site

Development Proposal: Outline application including access for the development of the site for employment uses, comprising of warehousing and distribution (Use Class B8) floorspace (including mezzanine floors) with ancillary B1a office space, general industrial (Use Class B2) floorspace (including mezzanine floors) with ancillary B1a office space, a small standalone office (Use Class B1) and small café (Use Class A3) to serve the development; car and HGV parking areas, with earthworks, drainage and attenuation features and other associated infrastructure, a new primary access off

Brickhill Street, alterations to Brickhill Street and provision of Grid Road reserve to Brickhill Street with appearance, landscaping, layout and scale to be determined as reserved matters

Date: 28 July 2020

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1. Summary

- 1.1. My name is Michael Moore and I am a Senior Planning Officer in the Development Plans Team at Milton Keynes Council (“MKC”). I will be giving evidence in relation to economic and employment land supply matters with specific reference to the amount of land available for B8 uses within the Borough of Milton Keynes as far as it relates to this appeal by HB (South Caldecotte) Ltd (“the Appellant”).
- 1.2. Section 4 of this proof provides additional information on MKC’s position on employment land and supplements details provided in document K9 Statement of Common Ground on Economic Matters (SOCGEM). It seeks to demonstrate that:
 - 1.2.1. Even if the delivery of warehousing floorspace is less than the Appellant proposes on the South Caldecotte site (“the Site”) this should not harm the objective of building a strong competitive economy, since Milton Keynes is a fast-growing diversified economy not dependent on one sector of the economy or a more limited range of sectors of the economy, and with other major employment generating schemes under construction or in the development pipeline. Additionally, alternative sites for warehousing development such as Milton Keynes East (MKE) are becoming available.
 - 1.2.2. MKC has allocated far more land for warehousing development over the Local Plan period 2016-2031 than its own highest forecast of need [104 hectares] suggests is necessary over this period.
 - 1.2.3. The Appellant is overlooking the contribution that other sites within the Borough can make to meeting the needs for additional warehousing floorspace particularly Milton Keynes East (MKE) but also from the redevelopment of buildings on existing employment sites which are no longer ‘fit for purpose’ and from the development of other sites which are no longer needed for their original purpose.

- 1.3. This proof of evidence concludes that MKC can demonstrate a robust supply position of available employment land for B8 warehousing and distribution purposes and that there is consequently no case for the economic benefits of the Proposal outweighing the harm the Proposal would cause.

2. Qualification and Experience

2.1 I have been a Senior Planning Officer in the Development Plans Team at MKC since April 1997 and have over 35 years' experience working in the field of planning. I hold several qualifications including a BSc (Honours) degree, a postgraduate Diploma in Town and Country Planning and two Masters' degrees including an MSc in Transportation Planning and Management and an MA in Regeneration and Renewal. I have been a Member of the Royal Town Planning Institute (MRTPI) since 1988. I am also a Member of the Chartered Institute of Logistics and Transport.

2.2 My current responsibilities include supervising the production and management of various planning policy documents. Within the Development Plans Team, I lead on several topic areas including employment and retailing. I also provide policy advice to applicants, colleagues in development management and other departments of MKC and to the public.

3. Introduction

3.1. This appeal relates to MKC's refusal of application 19/01818/OUT for outline planning permission for development comprising warehousing and distribution (Use Class B8) floorspace (including mezzanine floors) with ancillary B1a office space, general industrial (Use Class B2) floorspace (including mezzanine floors) with ancillary B1a office space, a small standalone office (Use Class B1) and small

café (Use Class A3) to serve the development; car and HGV parking areas etc (“the Application” or “Proposal”).

3.2. The Application was refused for the following three reasons:

1. The proposal, by reason of the total loss of non-designated heritage assets of archaeological interest, failure to ensure that consideration is given to the historic environment in informing the site layout and the quantum of development and failure to demonstrate that the benefits of the development clearly outweigh the harm, taking into account the assets significance and importance, would be unacceptable contrary to NPPF policy 197 and Plan:MK policies HE1 (F), SD1 (A19) and SD14 (C9).

2. The proposal, by reason of the loss of a significant extent of Priority Habitats and other ecological assets, and a failure to demonstrate an acceptable mitigation of biodiversity impacts on site, would result in an unacceptable impact on biodiversity assets within the application site, contrary to NPPF policies 170 (d), 174 (b) and 175 and Plan: MK policies, NE2 and NE3 and Planning Practice Guidance/ Natural Environment Guidance Paragraph: 024.

3. The proposal, by reason of failure to demonstrate provision of necessary infrastructure to mitigate the impact of the development, in particular in relation to transport, would have a harmful impact on the transport network, in terms of road, cycle and public transport provision, and would therefore fail to mitigate the impact of development, contrary to Plan: MK policies INF1, CT1 CT2, CT3, CT5 and SD14 (C.3) of Plan: MK.

3.3. The reasons for refusal did not include economic and employment reasons. The Site is allocated for B2/B8 development so its development for these uses is acceptable in principle provided the details of the development are satisfactory. However, in refusing the Application MKC considered that the economic benefits of the Proposal did not outweigh the harm the Proposal would cause to the

historic environment and to biodiversity. Consequently, the issue of employment need arises indirectly in this appeal.

3.4. The evidence I give on behalf of MKC centres on the economic and employment land supply matters with an emphasis on the supply of employment land for warehousing development.

3.5. I declare that:

- i. To the best of my knowledge, information and belief, this proof of evidence complies with the requirements of the giving of expert evidence and, as a witness, I understand my duty to the Inspector and have complied with this duty;
- ii. I believe that the facts I have stated in this proof of evidence are true, and that the opinions I have expressed are my own professional opinions;
- iii. That the proof of evidence includes all the facts which I have regard as being relevant to the opinion which I have expressed, and I have drawn attention of the Inspector any matter which would affect the validity of that opinion; and
- iv. I believe that my submission complies with the requirements of the Royal Town Planning Institute's Code of Professional Conduct.

4. Milton Keynes Council Assessment of Employment Land Supply

The amount of employment land available for warehousing development within the Borough over the Local Plan Period.

- 4.1. One of the issues in respect of which there is disagreement between the principal parties in this appeal is over the amount of land identified as available for warehousing development within the Borough over the Local Plan period. (Issue 6 in the list of issues where there is disagreement in the SOCGEM (Document K9). In MKC's view the Appellant is overlooking the contribution that other sites within the Borough particularly MKE can make to accommodating the demand for additional warehousing floorspace.

Site	Area in hectares	Status and deliverability of site where known
Eagle Farm North	25.2	Site developed for an Amazon warehouse of around 53,370 sq.m GIA and a warehouse for H&M of around 59,400 sq.m GIA.
Magna Park-Glebe land	9.8	Around 7.8 hectares of land is under development by IMI Gazeley for the new Magnitude 312 warehousing building (Ref 17/02052/FUL) of around 28,030 sq.m GIA. The remaining 2-hectare site at Glebe land is currently the subject of a planning application (Ref 20/00476/FUL) for the erection of a distribution warehouse of around 8,140 sq.m GIA. This application has not yet been determined by MKC.
Pineham	10.9	The Milton Keynes Development Partnership who are developing the Pineham site estimate it could accommodate approximately 30,000 sq.m of warehousing floorspace. Following a planning application in 2021, the earliest a warehouse would be completed for occupation is by 2024/25.
South Caldecotte	56.8	Subject of this appeal
Milton Keynes East	105	Subject to the provision of necessary infrastructure, development of MKE for employment uses B1 office, B2 industrial

		<p>and B8 warehousing floorspace is expected to take place over a 14-year period from 2024-2038.</p> <p>The total amount of employment floorspace forecast to be developed at MKE between 2024-2031 is around 238,460 sq.m, of this total, the minimum amount of B8 development is forecast at around 185,470 sq.m (77.8%)</p> <p>From 2031 to 2038 an additional 446,160 sq.m is expected to be developed at MKE and the minimum amount of B8 development is forecast at around 272,650 sq.m (61.1%)</p> <p>The development of land and floorspace developed for B8 development at MKE is expected to be around 7 hectares per annum, with delivery of about 29,915 sq.m of B8 floorspace per annum over the period 2024-2038.</p> <p>However, if there is strong demand for B8 floorspace at this location the proportion of B8 floorspace could rise at the expense of B1 and B2 floorspace.</p>
Total amount of land	207.7	
Amount of land currently available for warehousing excluding Eagle Farm North and 7.8 hectares at Magna Park Glebe land under development	174.7 rounded to 175 hectares	
Source Table 6.1 in Plan:MK, reproduced in Appendix A to document K9		

Note: 1) This Table is not exhaustive, new warehousing floorspace may be developed by the redevelopment of existing employment sites or on land no longer required for its current purpose.

- 4.2. Table 1 above shows that South Caldecotte was one of several sites allocated in the Local Plan, Plan:MK, capable of accommodating large scale warehousing uses. Indeed, with an area of 56.8 hectares it is the second largest employment site available for warehousing after MKE 105 hectares.
- 4.3. Table 1 also shows that over 207 hectares of land were available for large scale warehousing development over the Local Plan period 2016-2031. This figure is almost twice as much as MKC's own highest forecast [104 hectares] suggests was necessary over this period. (Document F4: Table 2.3).
- 4.4. Whilst with the development of sites at Eagle Farm North and the partial development of Magna Park-Glebelands for warehousing, the supply of land available for warehousing has diminished, at around 175 hectares, the supply of land to accommodate warehousing floorspace over the Local Plan period is nonetheless substantial and greater than the highest forecast of need for warehousing land in the ELS study.
- 4.5. This figure does not include any additional sites for warehousing which may come forward either by the development of existing employment sites which are no longer "fit for purpose" or by the development of land no longer required for its current purpose. Three examples of such sites totalling 15.4 hectares and providing a total of around 63,400 sq.m of floorspace are detailed in paragraph 2.11 to document K9.
- 4.6. Both parties have agreed that the Proposal will provide economic benefits in terms of jobs, increased economic output etc (Detailed in paragraphs 2.21-2.23 in document K9). Whilst it is right that if less warehousing floorspace is delivered at South Caldecotte than the 241,198 sq.m proposed this will result in a reduction in the amount of floorspace provided at South Caldecotte, this reduction is unlikely to harm the objective of building a strong competitive economy in the MKC area. The Borough is *"one of the fastest growing local authorities in the UK with a large diverse and dynamic local economy with more jobs than resident workers, resulting in net commuting. It has one of the highest start -up rates for new*

businesses of any local authority and the Milton Keynes workforce is one of the most productive in the country.” (Paragraph 4.42 to document E1)

- 4.7. With its diverse economy Milton Keynes does not have all of its economic “eggs” in one basket and so is more resistant to downturns in the national economy than many other cities specialising in one sector or a more limited range of sectors of the economy. Table 2.4 in document F5 (p.25) shows how the concentration of business activity in Milton Keynes compares to England and what sectors of the economy Milton Keynes is specialised in. In this table a location quotient of greater than 1 shows a higher concentration of business activity in Milton Keynes than nationally. A location quotient of 1 means the concentration of business activity in Milton Keynes matches the national concentration and a score below 1 means Milton Keynes has less business activity than England in that sector. It is only in the ICT Media & Creative Activities, Warehousing and Logistics, Manufacturing-Higher Technology and Wholesale sectors that Milton Keynes scores above 1 indicating Milton Keynes is more specialised in those sectors of the economy than England. For all other sectors of the economy Milton Keynes is at the national average or below it.
- 4.8. Although the Proposal is a major development, it is not the only major employment development taking place within Milton Keynes. Among the biggest new employment developments under way are a new £150 million flagship UK technology hub for Santander under construction by Milton Keynes Central railway station in the city centre of Central Milton Keynes (CMK). This development is expected to employ over 6000 people and will bring together staff from the bank’s existing local offices into one location. It is scheduled to open in the Autumn of 2022. Another major development proposal in the development pipeline is the creation of a new University MK:U on block B4 by the railway station in the city centre. MK:U is being developed with Cranfield University and is planned to be a new model university for Milton Keynes, with a focus on Science, Technology, Engineering and Mathematics (Paragraph 4.58 to document E1 provides further details). The current status of this project is as follows, discussions with the Government are ongoing about funding mechanisms for this project and a full business case (Green Book Appraisal) is being prepared for inclusion in the Autumn Spending review. A planning application for the B4 site is expected in early 2021 with construction work taking place between November 2021 and June 2024 with MK:U expected to open in September 2024. Excluding construction jobs, the number of full-time equivalent jobs created by the development is around 170 in the first year rising to 500 within 5 years. Around 350 additional full-time jobs are expected to be created within 3 years of the University opening as a result of operational expenditure. Student spending in Milton Keynes over a 30-year

appraisal period is estimated to create around 145,000 'job years' equivalent to around 6,400 full time jobs at the end of the appraisal period.

- 4.9. The picture painted of Milton Keynes' economic performance in the summary to document F5 on page 2 (paragraph vii) is that "*Employment has grown strongly over the last five years, with 37,800 more jobs in Milton Keynes in 2017 compared to 2012 (a 26% increase). People in Milton Keynes are employed across a wide range of different sectors, although two-thirds are employed across five key sectors: public administration, education & health; financial and professional services; retail; business support services; and hospitality, leisure and recreation sectors.*"
- 4.10. The largest sectors in the Milton Keynes economy (by number of businesses) is the ICT, Media and Creative sector and financial and professional services, which together account for more than 5,500 businesses locally (45% of all businesses in Milton Keynes). The sector with the strongest rate of business growth over the last five years is warehousing and logistics, with the business base more than doubling over the period. There are now 240 warehousing and logistics businesses in Milton Keynes, and the sector has a much higher concentration of business activity compared to nationally. (Para 2.20 to document F5.)
- 4.11. The parties disagreed in the SOCGEM (Document K9) in relation to the following matters:
1. The speed of the potential availability of the MKE allocation in forming part of the effective employment land supply for Milton Keynes.
 2. The extent to which the 105 hectares allocated at MKE is of importance in assessing the supply of land suitable for large scale B8 uses.
 3. The treatment - for purposes of assessing the available employment land supply - of the development of the 9.8 hectares plot at Magna Park Glebelands being developed by IMI Gazeley for the new Magnitude 312 warehousing building.
 4. The level of significance/insignificance in changes to the supply of and take up of vacant employment land as a result of the take-up of land since April 2018 in a

number of locations in Milton Keynes (see paragraphs 2.5 and 2.20 to document K9).

5. The level of relevance that additional warehousing floorspace can be developed over the plan period by the redevelopment of existing employment sites.

6. The amount of land identified as available for warehousing development within the Borough over the Plan period.

4.12 The following points are made on the issues above with the exception of Matter 6 which is covered above at paragraph 4.1 to 4.10 and Matter 3 which is addressed in Table 1 and at paragraph 2.6 of the SOCGEM (Document K9).

Matter 1: The speed of the potential availability of the MKE allocation in forming part of the effective employment land supply for Milton Keynes

4.13. MKE is located to the east of the city and the M1 motorway and south of the town of Newport Pagnell. It is allocated in policy SD 12 in the adopted Local Plan, Plan:MK 2016-2031, as a major new urban extension to Milton Keynes for residential and employment development. Around 105 hectares of land at MKE is allocated for B1/B2/B8 development, split between SEGRO (20 hectares) and Berkeley Strategic (85 hectares). (See Table 6.1 in Plan:MK, reproduced in Appendix A to document K9). The SEGRO site has already been the subject of a planning application which was refused (For further details see paragraph 2.9 in document K9).

4.14. Policy SD12 states '*Development can commence once the necessary strategic infrastructure required to make the site deliverable is funded and delivered. In that circumstance, the development of the site will be allowed to proceed within the plan period as an additional source of housing and employment land supply.*'

4.15. Paragraph 2.8 in the SOCGEM (Document K9) refers to the Housing infrastructure Fund (HIF) bid by MKC for infrastructure to support the delivery of development at MKE being approved by the Government. Since that

announcement MKC has been working to sign a contract with the Government and once this is agreed the money will then be paid over to MKC. A delegated decision meeting is being held on Tuesday 28 July for a decision to accept the £94.6 million of grant funding for Highway and Social Infrastructure report to support Housing and Employment Delivery on the MKE site, subject to receipt and acceptance of the Grant Determination Agreement with Homes England. MKC will update the Inquiry with the result of the 28 July meeting. The timetable detailed in the delegated decision report anticipates that the Grant Determination Agreement will be signed in September 2020 with a planning application for the Site submitted in March 2021. As there is no core document number for this report this delegated decision report is attached in the appendix to this proof of evidence.

- 4.16. In MKC's view MKE forms a significant part of the employment land supply of the Borough whose contribution should not be overlooked. Allowing for the construction of necessary infrastructure funded by the HIF bid, as Table 1 shows the earliest realistic date that some warehousing development could be developed at the MKE site is 2024. As Table 1 shows development of the MKE site is expected to take 14 years to complete between 2024 and 2038.

Matter 2: The extent to which the 105 hectares allocated at MKE is of importance in assessing the supply of land suitable for large scale B8 uses.

- 4.17. As noted above, MKE is the largest employment allocation shown in Table 6.1 and as Table 1 in this proof of evidence shows, based on information provided by the developer, most employment floorspace constructed at MKE will be for large scale B8 uses rather than for B1 or B2 uses. Furthermore, as mentioned in Table 1 if there is strong demand for B8 floorspace at this location the proportion of B8 floorspace at MKE could rise at the expense of B1 and B2 floorspace.

Matter 4. The level of significance/insignificance in changes to the supply of and take up of vacant employment land as a result of the take-up of land since April

2018 in a number of locations in Milton Keynes (See paragraph 2.20 of document K9).

4.18. Paragraph 2.19 in document K9 refers to the Milton Keynes Economic Growth and Employment Land Study -Supply and Demand 2017 Update which contained two forecasts on how much land for B8 uses was needed in the Borough over the plan period 2016-2031. The East of England Forecasting model (EEFM) forecast in this study was for 66 hectares and the Experian model forecast was for 104 hectares of land. Over a 15-year period the annual rate of take up of land for B8 warehousing implied by these forecasts was 4.4 hectares for the EEFM forecast and 6.9 hectares for the Experian model forecast.

4.19. Since April 2018, with the development of Eagle Fam North and most of the Glebe land site, an average of 16.5 hectares per annum has been taken up for B8 development. MKC acknowledges this rate of development at 16.5 hectares is higher than the forecasts of between 4.4 -6.9 hectares in the 2017 Employment Land Study (ELS). The parties differ as to the significance of these figures. In MKC's view the take up rate of 16.5 hectares per annum is only for two years of the plan period from 2018-2020 and is largely accounted for by the development of two large warehouses for Amazon and H&M at Eagle Farm North. One cannot assume that this level of take up of employment land for warehousing will occur over the whole plan period. Employment development is 'lumpy' reflecting volatility in the delivery of sites. Additionally, the delivery of sites for warehousing floorspace will be influenced by a wide variety of factors including the supply and demand for sites, general economic conditions and the servicing and provision of necessary infrastructure etc.

4.20. Should demand for warehousing land over the Local Plan period 2016-2031 exceed the highest forecast of need stated in the 2017 ELS then because MKC has provided almost twice as much land for warehousing (i.e. 207 hectares) in Plan:MK than its own highest needs assessment said was required (i.e. 104 hectares), Milton Keynes therefore has more scope or headroom to accommodate those development pressures over the Local Plan period. MKC

acknowledges that this supply is largely accounted for by one large site MKE and the earliest that warehousing floorspace could be delivered there is 2024.

Matter 5: The level of relevance that additional warehousing floorspace can be developed over the plan period by the redevelopment of existing employment sites.

4.21. The example of the Gazeley development of Willen House at Fox Milne referred to in paragraph 2.11 of the SOCGEM (Document K9) where one warehouse of around 19,350 sq.m is being replaced by two warehouses and ancillary office accommodation of around 24,000 sq.m supports MKC's view that where an existing warehouse building is no longer 'fit for purpose' an existing employment site can be redeveloped to provide more warehousing floorspace than previously existed. Milton Keynes was designated as a New Town by the Government in 1967 and is the largest New Town ever developed in the UK. The Milton Keynes Development Corporation who built the city up to 1992 allocated around 1060 hectares of land for employment purposes excluding Central Milton Keynes, so there may be scope for the redevelopment of these employment sites where buildings are no longer fit for purpose to provide additional warehousing floorspace.

4.22. Furthermore, warehousing floorspace may be developed over the plan period on sites no longer required for their original purpose. As mentioned at paragraph 2.11 of the SOCGEM, the recent application by David Lock Associates for two distribution warehouses was on land not part of the employment land supply mentioned in Table 6.1 of Plan:MK.

4.23. Irrespective of whether additional warehousing floorspace is provided by the redevelopment of existing employment sites or by the redevelopment of land no longer required for its current use, the provision of this floorspace helps to meet the demand for warehousing floorspace within the Borough. It also provides an alternative location for warehousing than the South Caldecotte site.

5 Conclusions

- 5.1 Even if the delivery of warehousing floorspace is less than the Appellant proposes on the Site this should not harm the objective of building a strong competitive economy, since Milton Keynes is a fast-growing diversified economy not dependent on one sector of the economy and there are other major employment generating developments under construction or in the development pipeline. Furthermore, alternative sites for warehousing development such as MKE are becoming available.
- 5.2 Around 207 hectares of land was available for large scale warehousing development over the Local Plan period 2016-2031. This figure is almost twice as much as MKC's own highest forecast [104 hectares] suggests was necessary over this period providing MKC with a considerable amount of flexibility to accommodate higher development pressures for warehousing.
- 5.3 Even with the development of Eagle Farm North and the partial development of Magna Park-Glebe land the supply of land to accommodate warehousing floorspace over the Local Plan period at 175 hectares is still substantial and still greater than MKC's highest forecast of need for warehousing land, 104 hectares.
- 5.4 Furthermore, more warehousing development in future could come forward in future by the redevelopment of existing employment sites or on land no longer required for its original purpose.
- 5.5 In conclusion, there is no shortage of land available for warehousing floorspace in the Borough and MKC can demonstrate a robust supply position of available employment land for B8 warehousing and distribution purposes and that there

is consequently no case for the economic benefits of the Proposal outweighing the harm the Proposal would cause.

6. References

- 1) Document F4: The Milton Keynes Economic Growth and Employment Land Study -Supply and Demand-Partial Update June 2017
- 2) Document K9. Statement of Common Ground-Economic Matters
- 3) Document E1: Plan:MK 2016-2031, the Local Plan for Milton Keynes adopted in March 2019
- 4) Document F5: Local Economic Assessment 2019

7. Abbreviations

- 1) MKC = Milton Keynes Council
- 2) SOCGEM = Document K9: Statement of Common Ground- Economic Matters
- 3) MKE = Milton Keynes East
- 4) CMK = Central Milton Keynes
- 5) ELS = Employment Land Study specifically 'The Milton Keynes Economic Growth and Employment Land Study -Supply and Demand – Partial Update June 2017

Appendix

- 1) Delegated Decision Report 28 July 2020 Housing Infrastructure Fund - Decision to accept Grant Funding [for delivery of site MKE]

Appendix: Milton Keynes Council Item 3: Delegated Decisions report

28 July 2020

Housing Infrastructure Fund – Decision to accept grant funding

Name of Cabinet Member	Councillor Pete Marland Leader of the Council
Report sponsor	Sarah Gonsalves Director of Policy, Insight and Communications
Report author	Sophie Lloyd Policy Manager Sophie.lloyd@milton-keynes.gov.uk 01908 253208

Exempt / confidential / not for publication	Yes* / No * DD paper not exempt, Appendix A (Grant conditions) and Appendix B (Grant conditions programme tracker) are exempt.
Council Plan reference	Not in Council Plan
Wards affected	All wards Olney/Broughton/Newport Pagnell South

Executive summary

The Land East of the M1, identified as MK East, is a strategic development site formally allocated in Plan MK, contingent on identifying and securing infrastructure funding. In March 2019, the Council applied to the government's Housing Infrastructure Fund (HIF) for £94.6 million of forward funding grant support. This is for the delivery of key enabling infrastructure to unlock the delivery of 5000 homes on this land, including 1550 affordable homes. Under the terms of the HIF agreement, the £94.6m grant funding can be fully recovered and recycled by the Council for further investment in Milton Keynes. This decision is to affirm the Council's decision to accept this grant funding, supporting as it does, the principle of Infrastructure before Expansion.

1. Decisions to be made

- To accept £94.6 million of grant funding for Highways and Social Infrastructure to support Housing Delivery East of the M1, subject to receipt and acceptance of the Grant Determination Agreement with Homes England.
- To develop a 'Tariff 2' mechanism for MK East site, in line with the requirement of the Milton Keynes East Development Framework SPD adopted by the Council in March this year, to ensure HIF grant monies and all other infrastructure contributions due from developers are recovered from the Development and reinvested in Milton Keynes.
- To confirm the Council's policy to reinvest land receipts from the sale of MKC's land holdings within the allocated MK East site into supporting infrastructure investment and housing delivery within Milton Keynes.

2. Why is the decision needed?

In March 2019, the Council submitted a bid to Government for grant funding from the Housing Infrastructure Fund for enabling infrastructure to support the delivery of the 'Site East of the M1', also known as MK East, to pay for the delivery of essential upfront infrastructure (highways, a new road bridge across the M1, a primary school and community health hub). A thorough due diligence process through Homes England followed shortly after the bid was submitted which confirmed that the Council's bid represented value for money for the public purse and provided significant longer term economic benefit.

Although a determination on the success of the bid was originally expected in May 2019, the Council was informed of its success in securing this investment offer in the Chancellor's March 2020 Budget announcement.

Although **not** required under the terms of the grant agreement, the Leader of the Council committed to seeking a formal decision on accepting the grant funding during the bid development process. This Delegated Decision reaffirms the Council's commitment to accept £94.6m of grant funding from the government to be invested in forward funding infrastructure to support development of this site, which has been formally allocated in Plan MK contingent on identifying and securing infrastructure funding.

The Council is making good progress on its aim to enter into the Grant Determination Agreement with Homes England by September to secure the funding, with discussions ongoing on the detailed terms of this Agreement.

3. Implications of the decision

This decision is to accept the £94.6 million of grant forward funding for the delivery of key enabling infrastructure to support the delivery of 5000 homes east of the M1, including 1550 affordable homes, on which the Council will seek nomination rights. The grant funding has been secured on the principle of ensuring the delivery of necessary infrastructure ahead of the residential and commercial development on the expansion site. The table below shows indicative costs associated with each category of key infrastructure. The grant agreement will require the Council to secure delivery of the identified infrastructure.

Infrastructure	Costings
Three form entry Primary School and Community Health Hub	£15m
Bridges	£28.1m
Highways	£51.5m
Total grant funding	£94.6m

The Site East of the M1 is allocated within Plan MK to come forward “once the necessary strategic infrastructure required to make the site deliverable is funded and is being delivered” (Plan:MK Policy SD12). Securing the HIF grant funding meets the first requirement of the Policy and allows us to progress to the delivery phase once planning permission is secured.

The terms of the agreement with Homes England allow the grant funding to be recovered and recycled by the Council through the Tariff 2 mechanism, providing MKC with the opportunity to recover £95m of grant funding to invest in further on-site and strategic infrastructure elsewhere in MK as the MK East site is delivered.

MK East makes an important contribution to the Council meeting its identified housing need, with the site due to start delivering homes in 2023/24, as key existing expansion sites like the Eastern Expansion Area (Brooklands), which currently produce significant housing outputs, are near to completion. The MK East site is a planned development, helping to prevent unplanned developments elsewhere in the Borough (such as recent applications in Hanslope permitted on Appeal) which greatly impact communities and can often be located away from the necessary infrastructure to make them work well.

The Housing Infrastructure Fund represents an unprecedented opportunity to secure substantial infrastructure grant funding, which can be recovered and recycled both on MK East and elsewhere in Milton Keynes, and to secure delivery of a planned development site which will contribute significantly to the Council’s housing supply well beyond the Plan:MK period.

As with any major infrastructure projects, there are a number of risks to the Council to be considered:

- Losing HIF funding

The Housing Infrastructure Fund represents one of the largest grant funding opportunities for infrastructure to support housing of the last 30 years since the Development Corporation was wound up. The ability for the Council to fully recover and invest the funding onsite and elsewhere within the Borough to support infrastructure delivery means it will support the development of MK for many years to come. Not taking the decision to accept the funding risks the authority losing this investment, the planned development not coming forward and a potential for unplanned development not supported by infrastructure to take its place.

- Cost overruns

Delivery of the Housing Infrastructure Fund Infrastructure is a significant and complex infrastructure project for the Council to undertake. Further work has been done on Infrastructure design since the development of the bid which may have an impact on costings. The Council and the Developers are required to put in place a strategy to cover any underspends or cost overruns on the HIF funded infrastructure as part of the Grant Agreement.

The risk associated with cost overruns is covered in section 4a of this report in further detail.

- Reputational risk

There would be reputational risk associated with the Council not accepting the HIF grant funding following the competitive process given the time invested in developing the bid with Homes England and the Ministry of Housing, Communities and Local Government. Reputational risks should also be a consideration in the unlikely event that the Council defaults on the legal agreement which secures the grant funding.

- Delivery

Whilst bid announcements from government were made much later than anticipated, the delivery timescale for the infrastructure (by March 2024) remain the same. This means due to circumstances beyond the Council's control the delivery programme is much tighter, and whilst achievable will be challenging. This is explored in section 4c of this report in further detail.

4. Implications

Financial	X	Human rights, equalities, diversity	
Legal	X	Policies or Council Plan	X
Communication		Procurement	X
Energy Efficiency		Workforce	

a) Financial implications–

During the bid process the Council obtained a total of four detailed cost estimates for the highways elements of the HIF funded infrastructure. These estimates consistently put the base cost of the required infrastructure in the range of £52-57.5m. Where the cost

estimates varied more significantly was in the level of contingency applied to the cost estimates, with the Council engaged consultants applying a 20% buffer, as opposed to the smaller margins applied by the developer's consultants.

To address this the Council intends to allocate a proportion of the HIF funding to the highways elements being directly delivered by the Council on the existing highway using the cost estimates that allow a 20% contingency buffer.

Were the costs of infrastructure to be lower than those costed in the bid development process, all additional funding would remain with MKC as grant recipient and will in the first instance be applied to meeting cost overruns on other HIF infrastructure should these arise. Were any works delivered by the Developer to be delivered for less than their allocated funding, any cost underspend would again remain with MKC as the grant recipient. In the event of any overall underspend the money returned to MKC would be ring fenced to spent on infrastructure and housing.

The council expects the Infrastructure funding costs to be met by the grant monies. Cost consultants are currently verifying the original cost assumptions submitted in the bid against the more detailed designs that have been worked up over the last year to progress the scheme since the bid was originally submitted.

Were this cost verification exercise to find the costs of infrastructure higher than those costed in the bid development, or there were unforecast costs encountered during delivery, the Council would need to finance the additional cost in advance of capital receipts from the disposal of MKC land within the development site. This would be sufficient to cover any potential overruns. If the costs should exceed the grant allocation, temporary borrowing will be used to cover any timing differences from the land receipt and tariff monies.

The Developer is also required through the terms of the HIF grant funding to put in place a strategy to cover any potential cost overruns on the infrastructure being delivered through their contractors.

The terms of Tariff2 (using S106 TCPA powers) are currently being negotiated with the Developers at MK East and will be agreed as part of the planning application process, in line with Plan:MK Policy INF1. In addition, 31% affordable housing will be secured across the development. The Tariff will address the impact of this development across the whole of MK, including capturing further investment for MK Hospital, Higher and Further Education and others. At the time of the decision, early discussions have taken place with the developers on the Tariff, with the Heads of Terms on collaboration expected to be signed with the Developers ahead of entering into the GDA agreement with Homes England.

b) Legal implications

The Council has not yet received the draft Grant Determination Agreement from Homes England, but on receipt it will be carefully reviewed by the legal team.

Legal colleagues have received Heads of Terms for the agreement and the Homes England Assurance framework and will be providing legal advice to the HIF Programme Board in due course.

c) Other implications

Delivery implications-

Although announcements of successful schemes were delayed by Government, the timescales in which grant funding must be spent have not changed and require delivery by March 2024, meaning delays to the programme cannot be recovered. This creates significant challenges in delivering the full scheme on time, and whilst it remains demonstrably achievable, timely delivery will pose challenges for Council departments, most notably Highways, who are already resourcing to ensuring delivery of the scheme. As part of the grant agreement, quarterly updates will be given to Homes England on spend, programme progress and milestone achievement and early discussion will take place through this process in the event of any projected milestone failures. The risk to the Council will lie in not delivering the infrastructure works for which the Council is taking responsibility (works on the existing highway and the social infrastructure elements) by the deadline of March 2024 and funding being withdrawn at that point. This would then require Tariff2 funding being applied to this infrastructure reducing the amount of funding being available for recycling into further and wider infrastructure.

Procurement implications-

Delivery of the Infrastructure will be split between MKC and Berkeley Strategic. It is currently proposed that MKC will be using its term contractor, Ringway to deliver the works on the existing highway for which it is taking responsibility and early engagement will take place through the Highways team. Delivery of the Primary School and Community Health Hub are proposed to be led by the Council's Capital Development team and will utilise a suitable procurement strategy to be agreed. MKC Procurement will be liaised with throughout this process. It is envisaged that early engagement will commence on this procurement in early 2021 when the Outline planning application for MK East is submitted. Berkeley are developing their procurement approach and taking legal advice to ensure it is OJEU and State Aid compliant.

5. Alternatives

Not to accept grant funding -

Not accepting the grant funding will mean that the Council misses the opportunity to secure investment in the enabling infrastructure. This would also mean that the Council would be unable to recapture £94.6 million worth of investment in the city to be invested in future infrastructure schemes. There is likely to be reputational risk attached to the Council refusing to accept £94.6 million worth of government funding in the city.

The site's allocation in Plan MK is contingent on the funding for the infrastructure being secured and the infrastructure being delivered, and site would not come forwards until this condition is met.

6. Timetable for implementation

September 2020 – Expected date to sign the Grant Determination Agreement

March 2021 – Planning Application expected to be received on Infrastructure and Outline Planning Permission

List of annexes

[Confidential] Annex A – Grant Conditions shared by MHCLG

[Confidential] Annex B - Grant conditions progress tracker

List of background papers

Background paper A – [Plan MK](#)

Background paper B – [Milton Keynes East Development Framework](#)