



TOWN AND COUNTRY PLANNING ACT 1990
S78 APPEAL AGAINST THE REFUSAL OF PLANNING
PERMISSION

Rebuttal Proof: Economic Matters

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

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

Appellant: Appeal by HB (South Caldecotte) Ltd

Site: South Caldecotte Site

Date: 12 August 2020

Contents	Page Number
1. Summary	3
2. Warehousing employment & floorspace completions in Milton Keynes (MK)	3
3. Extent of the Economic Benefits from the Proposal	6
4. Warehousing proposals not being accommodated in MK	8
5. Demand for B2 General Industrial floorspace in MK	9
6. Conclusions	9
7. Appendix	10

1. Summary

1.1. This rebuttal to Mr Nicol's Economic Proof of Evidence (HB1/1) relates to the following discrete points at various paragraphs in his proof:

- a) Warehousing employment paragraphs 4.4 and 4.6 and floorspace completions in Milton Keynes paragraph 6.41
- b) Extent of the Economic Benefits from the proposal paragraph 7.20 and Table 7.2
- c) Warehousing proposals not being accommodated in Milton Keynes paragraph 4.17
- d) Demand for B2 General Industrial floorspace in Milton Keynes Table 7.1

2. Warehousing Employment and Floorspace Completions in Milton Keynes

A. Employment in Warehousing

2.1. At paragraph 4.4 of Mr Nicol's proof Document HB1/1 it is stated that "*In 2018 there were an estimated 18,000 employees working across the whole transport and distribution sector in Milton Keynes or 9.3% of all jobs.*" However, Office of National Statistics (ONS) data from the ONS Business Register and Employment Survey shown in the table headed Employee jobs by Industry available at: <https://www.nomisweb.co.uk/reports/lmp/la/1946157283/report.aspx> shows around 17,000 employee jobs in the transportation and storage sector in Milton Keynes in 2018 instead of 18,000 jobs. This represents 9.3% of all employee jobs in Milton Keynes in 2018, making the transportation and storage sector the fourth biggest sector of the local economy in Milton Keynes after the following sectors; Wholesale & Retail trade; Repair of Motor Vehicles & Motor Cycles 32,000 jobs, Administrative and Support Service activities 21,000 jobs and Education 18,000 jobs.

2.2. The number of jobs in Milton Keynes in the Transportation and Storage sector in the ONS Business Register and Employment Survey is shown below in Table 1 and shows the following trends.

Table 1: Number of Jobs in the Transportation and Storage Sector in Milton Keynes 2015-2018

Year	Number of jobs
2015	14,000
2016	16,000
2017	18,000
2018	17,000
Job Increase 2015-2018	3,000
Job Increase 2016-2018 (Local Plan period)	1,000

Source: ONS Business Register and Employment Survey Employee Jobs Time Series available at:

https://www.nomisweb.co.uk/reports/lmp/la/1946157283/subreports/bres_time_series/report.aspx?

From 2015 to 2018 Table 1 shows the increase in the number of jobs in the transportation and storage sector was 3000 jobs. Over the Local Plan period from 2016-2018 the increase in the number of jobs was 1,000 rather than 2000 mentioned in paragraph 4.6 in document HB1/1 reproduced below.

2.3. Paragraph 4.6 in document HB1/1 states that “ *Given the evidence on trends in the development of B8 logistics space in Milton Keynes over the last few years , the apparent fall in employment shown between 2017 and 2018 is very unlikely to have happened and is much more likely to reflect a standard sampling error of the survey methods used for BRES. I consider that since 2016 (which is at the start of the current Local Plan period), total employment in the warehousing sector is likely to have increased by at least 2000 jobs to 2018 (the last year for which there is official ONS data).*”

- 2.4. An alternative explanation for the fall in employment in this sector between 2017 and 2018 is that there was a genuine reduction in the number of people working in this sector. There is local evidence for this, House of Fraser closed their Milton Keynes depot on November 27th, 2018 with the loss of around 300 jobs (Source: <https://www.mkfm.com/news/local-news/house-of-fraser-warehouse-to-close-in-milton-keynes/>)
- 2.5. Furthermore, Tesco's closed its clothing and homewares website Tesco Direct and its warehouse at Fenny Lock in Milton Keynes with a reduction of 500 jobs in July 2018. (Source: <https://www.miltonkeynes.co.uk/news/devastating-news-tesco-direct-staff-milton-keynes-1028639>)

B. Warehouse Floorspace Completions 2004-2020

- 2.6. MKC agrees with the Valuation Office Agency figure mentioned at para 6.41 of document HB1/1 that the total stock of industrial and warehouse buildings in Milton Keynes for 2018/2019 was 2,931,000 sq.m or 31.5 million sq.ft. However, because MKC monitors different 'B' use class floorspace completions it can state how much B8 warehouse floorspace completions there have been over the period 2004-2020 compared to other types of employment 'B' use class floorspace.
- 2.7. Table 2 in the Appendix to this rebuttal shows that over the sixteen years from 1st April 2004 - 31st March 2020 there has been a net increase of around 454,610 sq.m (rounded figure) in the amount of warehousing (B8 storage & distribution) floorspace within Milton Keynes. This is an annual increase of around 28,410 sq.m of floorspace per annum. Over the period 2004-2020 around 683,910 sq.m of warehousing floorspace was completed in Milton Keynes but losses of floorspace (from demolition, redevelopment or a change of use) resulted in a loss of 229,290 sq.m of floorspace.
- 2.8. The net increase in warehousing floorspace at 454,610 sq.m was much greater than for any other type of 'B' use class employment floorspace. While there was a net increase in B1a office floorspace 133,530 sq.m and B1b Research and

Development floorspace within Milton Keynes over the period 2004-2020. The amount of B1c Light industrial floorspace and B2 General industrial floorspace declined by 1,550 sq.m and around 20,060 sq.m over this period.

2.9. Table 2 also shows considerable variability in the amount of warehousing floorspace constructed annually in Milton Keynes reflecting volatility in the delivery of sites a point discussed in more detail in para 4.19 of the Council's proof of evidence document MK1.1. Warehousing floorspace completions have not been increasing year on year. As the table shows in some years such as 2008/09 and 2016/17 there was a net reduction in the amount of warehousing within Milton Keynes of 5,765 sq.m and 21,080 sq.m. In this Table the year when most net warehousing floorspace was completed, 78,430 sq.m, was in 2005/06.

2.10. Since the start of the Local Plan period in 2016 net completions of warehousing floorspace from 2016-2020 have totalled 55,390 sqm (rounded figure) or 13,847 sq.m per annum. This is a slower rate of increase in floorspace completions than that seen over the 2004-2020 period of 28,410 sq.m per annum.

3. Extent of the Economic Benefits from the proposal

3.1. The extent of the economic benefits (described at paragraph 7.20 in document HB1/1) in terms of non-domestic rates to the Council from this proposal are overstated. Rather than retain a minimum of 50% business rate retention, paragraph 7.20 to document HB1/1. The Council's revenue manager has commented *"At present due to tariffs and levies associated with business rates retention MKC retain approximately 38% of rate yield but there is a great deal of uncertainty over the future of business rates, not just with regard to future business rates retention schemes but also the Government has launched a call for evidence as part of a fundamental review of business rates."*

- 3.2. MKC's business rates contributions are subject to a Tariff and to a Levy which is applied to "disproportionate growth" and are paid to central Government. The Tariff funds other authorities where their needs are higher than the Business Rate income they would have retained, while the Levy funds the national Safety Net which provides authorities with protection against a reduction in Business Rates funding.
- 3.3. In Table 7.2 on pages 43-43 of document HB1/1 the potential for on-site jobs resulting from this proposal is estimated at 2,500-3,400. But it is questionable whether this number of jobs will materialise since warehousing is forecast (see below) to be one of the sectors most affected by automation in the future.
- 3.4. The Council's Local Economic Assessment 2019 Document F5 on page 43 highlighted a report by Price Waterhouse Coopers (PwC) in 2018, entitled Will Robots Steal our Jobs? that 30% of UK jobs could be impacted by automation by the early 2030s, with this risk being the highest in sectors relating to warehousing and logistics (56%) and wholesale and retail (44%).
- 3.5. The Local Economic Assessment 2019 on page 43 said of warehousing and logistics *"It is also one of Milton Keynes' economic sectors that is most likely to be affected by automation, as warehousing and distribution processes are becoming increasingly reliant on technology. Automation is transforming the storage, distribution and sales of goods domestically and internationally, mainly through the integration of blockchain technology into supply chain management and auditing. This technology allows for better data-sharing in the industry, reducing inefficiencies and improving traceability and quality monitoring of goods within the supply chain. Activities like trailer loading and offloading and package delivery are also being automated, with companies like Google starting to use self-driving lockers and the trucking industry partnering with manufacturers on partially automated truck convoys. With consumer demand increasing for faster and more frequent deliveries, warehousing and logistics are likely to continue turning to automated solutions. "*

4. Warehousing proposals not being accommodated in Milton Keynes

- 4.1. At 4.17 in document HB1/1 reference is made to document HB1/3 and the market report commissioned by the Appellant from Burbage Realty a specialist logistics and industrial property consultant. On page 8 of HB1/3 Burbage Realty are quoted as saying *“It is important to note that since marketing this site [South Caldecotte my emphasis] there have been a number of occupiers who could have moved to a warehouse at South Caldecotte but have taken buildings elsewhere, or are in discussion on sites outside Milton Keynes.”* A list of twelve large requirements from various companies is then listed.
- 4.2. However, given that no building has yet been constructed on South Caldecotte, even if the Appellants secure a favourable outcome from this Inquiry according to the timetable provided at paragraph 8.5 to HB1/1, the earliest this site would be available for occupation and development is by spring 2022.
- 4.3. Turning to the list of twelve large requirements Amazon may have taken space at Bedford and Hinckley but they have also occupied a building at Eagle Farm North, Table 2 to M1.1 refers. MKC is aware that Makita were seeking to locate at one time on the SEGRO site, the triangle of land formed by the M1, the A422 (H3 Monks Way) and Willen Road but colleagues in Economic Development were advised by a Department of International Trade Account manager that Makita had put any move on hold.
- 4.4. Because of its location Milton Keynes is an attractive location for warehousing but it must be stressed that it is not the only location on the M1 corridor where warehousing operators can locate. Warehousing is a footloose activity and if suitable accommodation is not available in a particular place at the right time and at a competitive price then the occupier will simply seek to locate elsewhere. In adopting Plan:MK, MKC is making provision for the future warehousing requirements of Milton Keynes over the plan period and assisting the warehousing industry to grow and develop within the Borough.

5. Demand for B2 General Industrial floorspace in Milton Keynes

5.1. South Caldecotte is allocated in policy SD14 for B2/B8 development with ancillary B1 floorspace. Table 2 shows that demand for B2 general industrial floorspace in Milton Keynes is declining. In 2004/05 around 25,240 sq.m of B2 general industrial floorspace was constructed but by 2019/20 construction had fallen to 6,320 sq.m. Over the sixteen years from 2004/05-2019/20 there was an overall net loss of around 20,060 sq. m of general industrial floorspace as new construction did not exceed losses of floorspace. In nine of these sixteen years, there was a net annual decline in the amount of B2 floorspace completed within Milton Keynes.

5.2. Given these existing trends if the market for B2 General Industrial does not improve sufficiently to enable the delivery of around 48,040 sq.m of B2 floorspace on site (Table 7.1 on page 39 of document HB1/1) will this mean the Appellant will be seeking to increase the proportion of B8 development on this site at the expense of B2 floorspace.

6 Conclusions

6.1 By this rebuttal I have sought to demonstrate that there were 17,000 employee jobs in the transportation and storage sector in Milton Keynes in 2018 rather than 18,000 jobs for which Mr Nicol's contends. The significance of this difference is that not only were there fewer jobs in this sector in 2018 but also that the growth of jobs over the Local Plan period 2016-2018 has been less than that contended by Mr Nicol's.

6.2 Because of closures of warehouses in Milton Keynes in 2018 there are good reasons why the growth of warehousing employment in Milton Keynes was

smaller at 1000 jobs over the period 2017-2018 rather than 2000 jobs contended by Mr Nicol's in paragraph 4.6 of document HB1/1.

6.3 The figures in Table 2 demonstrate the amount of 'B' use class floorspace including warehousing floorspace completed within Milton Keynes over the period 2004-2020. The pattern of warehousing development in Milton Keynes shown in Table 2 is not simply one of a continuous steady increase in the amount of warehousing floorspace developed over time. As recently as 2016/17 there was a net reduction in the amount of warehousing floorspace completed within Milton Keynes.

6.4 The economic benefits of the scheme in terms of business rates to the Council are not as generous as suggested at paragraph 7.20 in document HB1/1. Due to tariffs and levies associated with business rates retention MKC retains approximately 38% of rate yield rather than 50%. The potential for on-site jobs resulting from this proposal is estimated at 2,500 -3,400 jobs but reports suggest jobs in warehousing are vulnerable to automation raising concerns if this figure will be achieved.

6.5 Finally, MKC has sought to demonstrate that demand for B2 general industrial floorspace within Milton Keynes has been declining and if this demand is not realised at South Caldecotte there may be pressure for additional B8 development there.

Appendix

1. Table 2: Losses, Gains and net floorspace completions for different 'B' use classes in the Borough of Milton Keynes 2004-2020. All figures in sq.m and cover the period from the 1st April to the 31st Marc

Table 2: Losses, Gains and net Floorspace Completions for different 'B' Use Classes in the Borough of Milton Keynes 2004-2020

		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
B1a Offices	Losses	5157	3269	5935	11661	18200	12605	9543	6751	12175	11108	5343	11009	60812	4596.3	22601	6788.6	207553.9
B1a Offices	Gains	24415	21994	29736	18579	30172	62351	9029	4542	46400	3413	22779	8215	2638	10887.51	20845.3	25092.3	341088.1
B1a Offices	Net	19258	18725	23801	6918	11972	49746	-514	-2209	34225	-7695	17436	-2794	-58174	6291.21	-1755.7	18303.7	133534.2
B1b R&D	Losses	0	0	251	0	0	0	0	23	0	0	0	0	0	0	0	0	274
B1b R&D	Gains	3694	1118	1418	0	30166	0	0	0	2754	0	2523	8160	2478	2151	0	0	54462
B1b R&D	Net	3694	1118	1167	0	30166	0	0	-23	2754	0	2523	8160	2478	2151	0	0	54188
B1c Light Industry	Losses	9056	0	2732	4543	891	1201	6257	430	0	634	2286	300	360	348	372	600	30010
B1c Light Industry	Gains	926	5729	6168	1894	1619	2200	1359	623	579	225	690	195	1766	150	0	4335.3	28458.3
B1c Light Industry	Net	-8130	5729	3436	-2649	728	999	-4898	193	579	-409	-1596	-105	1406	-198	-372	3735.3	-1551.7
B2 General Industry	Losses	24113	14683	8280	5363	9536	12772	3944	14170	10685	1780	1886	3761	4645	3500	255	3469.4	122842.4
B2 General Industry	Gains	25243	426	10466	11278	5513	2718	4489	2381	10667	4582	16101	828	1483	289	0	6322	102786
B2 General Industry	Net	1130	-14257	2186	5915	-4023	-10054	545	-11789	-18	2802	14215	-2933	-3162	-3211	-255	2852.6	-20056.4
B8 - Storage & Distribution	Losses	18452	35534	3538	6025	21847	1058	13972	9182	2469	16194	38248	4645	23163	3384	569.5	31011.5	229292
B8 - Storage & Distribution	Gains	33383	38759	81972	69573	16082	13315	42665	9512	15572	60522	109966	79069	2083	65849	7119	38465.2	683906.2
B8 - Storage & Distribution	Net	14931	3225	78434	63548	-5765	12257	28693	330	13103	44328	71718	74424	-21080	62465	6549.5	7453.7	454614.2
Total Each Year	Losses	56778	53486	20736	27592	50474	27636	33716	30556	25329	29716	47763	19715	88980	11828.3	23797.5	41869.5	589972.3
	Gains	87661	68026	129760	101324	83552	80584	57542	17058	75972	68742	152059	96467	10448	79326.51	27964.3	74214.8	1210701
	Net	30883	14540	109024	73732	33078	52948	23826	-13498	50643	39026	104296	76752	-78532	67498.21	4166.8	32345.3	620728.3

