

**Milton Keynes Development Partnership  
Quarterly Update to MKC Cabinet 11<sup>th</sup> January 2016  
Progress on MKDP Business Plan to December 2015**

**Introduction:**

MKDP is a Limited Liability Partnership established in 2012 to manage and promote the assets purchased from the Homes and Communities Agency by Milton Keynes Council in January 2013.

MKDP is an independent legal entity wholly owned by the Council. The Board comprises four Elected Members including the Leader of the Council and five Independent Members including an Independent Chair.

MKDP is empowered to take an entrepreneurial approach to deliver long-term economic value and social benefits for all the citizens of Milton Keynes. It is wholly owned by and accountable to MKC.

**MKDP's Purpose:**

MKDP was set up to facilitate Milton Keynes' continued economic growth by promotion the development of land assets acquired from the Homes & Communities Agency. Its role is to deliver economic and social value from its 70+ development sites, (265 developable acres) in line with MKC's Corporate Plan and Economic Development strategy.

**Highlights:**

- Growing pipeline of transactions: Within the past 3 months we have completed on 3 schemes generating capital receipts of over £1m, exchanged contracts on a further 4 land transactions and solicitors have been instructed on 11 more land transactions.
- Development activity has commenced on the Honda F1 R&D facility on Winterhill and construction activity is to start early in the new year on Victoria House the new 40,000 sq ft office scheme on Avebury Boulevard
- Increasing confidence that MKDP will exceed its medium term financial targets. Our financial projections show that we will meet our financial obligations to MKC by substantially reducing debt to ensure that any interest costs can be met from ongoing P&L results.
- With growing confidence MKDP is embarking on a number of more ambitious schemes including the potential promotion of a housing festival project in Campbell Park. The housing festival site, to be located on the south side of Campbell Park, seeks to attract residential designs from individuals, small developers and key national developers that will deliver a mix of apartments, town houses, detached and semi-detached homes of different sizes and tenures. The project is perceived to have the potential to significantly improve the quality and speed of delivery of new homes across MK; the project could develop housing models and products that could be rolled out across the city and with concepts included in the future marketing of housing sites. The successful delivery of the project would add to the City's reputation to be innovative and a brand leader. A formal paper assessing the feasibility of Homeworld50 shall be presented to Board at its meeting in January 2016.

- Strategic property advice continues to be given to MKC with negotiations concluding on key transactions including the Agora, Wolverton and the proposed YMCA redevelopment in CMK. Advice is ongoing in respect of development opportunities in the Western Expansion Area and Tickford Fields Farm.

### **MKDP key strategies:**

MKDP will help to facilitate the implementation of MKC's vision for the growth of Milton Keynes by the appropriate development of its land assets, and other land assets belonging to MKC by:

- exploring possible future uses for assets previously owned by the HCA and various assets already owned by MKC.
- engaging with third party developers, investors and advisers to ensure that proposed uses create best value and are commercially viable and deliverable.
- ensuring appropriate consultation and engagement with elected members, parish/town councils, and other stakeholders in the preparation of development briefs for the sites as required under the development brief protocol.
- collaborating with other land interests to maximise the opportunities for beneficial development.
- working collaboratively with public and private sector partners and taking a proactive approach to commercial development.
- encouraging private sector investment in Milton Keynes, whether by way of expansion or inward investment.
- bringing forward residential, commercial and ancillary development in line with the objectives of the Council's Corporate Plan and other key strategies, particularly the Core Strategy and Economic Development Strategy.

### **Challenges:**

MKDP faces a number of major challenges and is required to:

- Continue to seek to develop the portfolio of mainly 'difficult' sites and realise double, or more, its initial value over time.
- Generate sufficient revenues within 5 year to pay down some of all of the £32m debt and/or generate sufficient income to pay the interest on the loan.
- Although it was established to operate on an entrepreneurial basis, MKDP has to work within the bounds of MKC procurement rules and be accountable for the use of public money.
- Communicate with stakeholders ore effectively especially to clarify MKDP's role and its relationship with MKC.

### **Financial update**

The pipeline of potential transactions is improving, which is providing added security towards achieving our target. MKDP's figures presented are subject to risk factors in early years to reflect uncertainties and the uneven nature of capital receipts from property transactions and development.

It was previously reported that changes to the proposed education site disposals specifically on Shenley Wood and the adoption of the CMK Alliance Plan introduced pressure on MKDP's ability to deliver forecast capital receipts for the current financial year ( to 31<sup>st</sup> March 2016). Delay with the proposed Wyevale Garden site disposal in particular has eroded our risk reserve for the current financial year however with proposed disposals to MKC at

Shenley Wood and Kents Hill we have confidence that we will still meet our forecast capital receipts for the financial year.

#### Summaries Table

The forecast revenue and capital position for MKDP from 2015/16 to 2019/20.

Note: Due to MKC accounting conventions, figures in ( ) represent surpluses

Probability Factor Applied	100%	50%	75%	75%	75%
2014-20 Financial Plan	2015/16	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s	£000s
<u>P&amp;L</u>					
<b>Expenditure</b>	<b>2,410</b>	<b>2,586</b>	<b>2,346</b>	<b>2,454</b>	<b>2,534</b>
<b>Income</b>	<b>(2,716)</b>	<b>(2,926)</b>	<b>(2,889)</b>	<b>(2,889)</b>	<b>(2,889)</b>
<b>Annual (Profit)/Loss</b>	<b>(306)</b>	<b>(340)</b>	<b>(543)</b>	<b>(435)</b>	<b>(435)</b>
Cumulative (Profit)/Loss (Dec 2015)	<b>(830)</b>	<b>(1,169)</b>	<b>(1,712)</b>	<b>(2,147)</b>	<b>(2,502)</b>
Cumulative (Profit)/Loss (Sept 2015)	<b>(896)</b>	<b>(1,196)</b>	<b>(1,608)</b>	<b>(1,534)</b>	<b>(1,735)</b>

<u>Capital Expenditure</u>					
Site Preparation	<b>700</b>	<b>843</b>	<b>165</b>	<b>72</b>	<b>388</b>
Repay Debt	<b>4,443</b>	<b>6,660</b>	<b>9,117</b>	<b>9,358</b>	<b>6,387</b>
MK Tariff Risk Share Reserve				<b>580</b>	<b>580</b>
<b>Total Capital Expenditure</b>	<b>5,143</b>	<b>7,503</b>	<b>9,282</b>	<b>10,010</b>	<b>7,355</b>
<b>Capital Receipts</b>	<b>(4,937)</b>	<b>(7,503)</b>	<b>(9,282)</b>	<b>(10,010)</b>	<b>(9,355)</b>
<b>Net Capital Position</b>	<b>206</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(2,000)</b>
Cumulative Capital Position (Dec 2015)	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(2,000)</b>
Cumulative Capital Position (Sept 015)	<b>206</b>	<b>206</b>	<b>206</b>	<b>206</b>	<b>(1,794)</b>

The probability factor for 15/16 has been increased as we can be more confident that the (reduced) receipts will be realised this year. The five year plan continues to show that most of the capital receipts will be spent on reducing debt. The Board is looking at various reinvestment opportunities (for example Campbell Park) to produce ongoing improvements in annual earnings. As such it can be expected that these debt repayments will be lower than shown.

Key transactions identified for the 15/16 financial year include:

- Winterhill – Sale complete
- CMK B3.2S – Contracts exchanged, planning permission granted. Completion imminent.
- Monkston Park Self Build Plots – All plots have exchanged, 3 have completed and 3 remain subject to planning. .
- ISS Shenley Church End – Contracts exchanged. Completion subject to planning consent.
- Wolverton Site E – Contracts exchanged. Completion subject to planning consent.

- Kents Hill Secondary School - Terms agreed, site acquisition in MKC Capital programme for 15/16.
- West Ashland part Site A – Terms agreed, solicitors instructed, in pre-app discussions.
- CMK D4.4 Wyevale Gardens – Terms agreed, solicitors instructed end user in pre-app discussions.

The financial projections are subject to identified risks but include prudent estimates of potential sales and on-going income generation.

### **Progress on major land assets**

#### Campbell Park Canalside

Crest Nicholson Regeneration are appointed preferred development partner and it is anticipated that formal development agreements will complete early in the New Year. Scheme designs are evolving quickly and stakeholder consultation on detailed design matters is anticipated to re-start Q1 2016.

#### Campbell Park Northside (Sites F1, G1, H1)

Agents have been appointed to test the appetite of national/ regional developers and investors in becoming MKDP's Strategic Development Partner (SDP). The SDP would then work with MKDP to bring forward a quality residential led development over the 12 ha sites at Campbell Park Northside. Assuming a positive outcome to the feasibility, agents will be instructed to market / tender the opportunity in Q1 2016 and to assist MKDP in securing its SDP. A paper shall be submitted to Board at its meeting on 21<sup>st</sup> December 2015.

#### The National Bowl

MKDP has commissioned a feasibility study to assess future leisure opportunities and the redevelopment of the National Bowl together with the development of Elfield Park. A report on potential options and opportunities will be presented to Board in March 2016

This is a hugely popular site/facility and it is acknowledged that it is important that the uses on the site are retained and enhanced where appropriate with consideration given to a wide range of leisure and sporting activities together with associated commercial development. MKDP has engaged with the existing operator to explore a more proactive strategy of enhancements to the Bowl Arena and cycling facilities and have entered into collaboration agreement to assess potential at Elfield Park.

#### B4 (site opposite Sainsbury's)

MKDP is in the process of acquiring the remaining land currently in ownership of the HCA to assemble an entire grid square for development.

Stakeholder engagement, careful consideration of land use options, master planning and land retention to support other key office, leisure and residential initiatives to be rolled out in 2016.

### Progress on key sites

Site	Type	Status	Notes
Atterbury	Residential	Contract negotiations continue	Exchange of contracts anticipated early New year with planning to be submitted Q2 2016
Campbell Park Canalside	Residential, mixed use and leisure	Contract negotiations continue	The scheme design is rapidly evolving. Stakeholder consultation on design matters is anticipated to re-start Q1 2016 with planning for phase one (to include amenity uses) anticipated to be submitted late Q2.
CMK Site B3.3N	Offices	Preferred development partner identified	Following a successful tender exercise a preferred development partner has been identified. The developer to work in partnership with MKDP to deliver new high quality grade A offices to bolster the supply pipeline and enhance opportunities to attract inward investment.
CMK Site D4.4 (Wyevale)	Care home	Terms agreed	Progressing through pre-app discussions with MKC and design evolution prior to exchange of contracts and the submission of a planning application.
CMK C3.3S (adjacent to CBX3)	Commercial	Terms agreed	Scheme designs are evolving in advance of pre-app discussions with MKC and contract.
Independent School Site Shenley Church End	Education	Sale contract exchanged for an Alternate Provision school for junior school aged children	Progress with planning has been slower than anticipated with planning now anticipated to be submitted Q1
Kents Hill Sites B & E	Education	Terms agreed and solicitors instructed	Disposal of sites to facilitate the proposed CMK Secondary School, Special school and Primary school. The Development Brief supporting the change of uses has been approved and formal MKC approval is anticipated 21 /12
Loughton - Little Meadow	Residential	Terms agreed and solicitors instructed following tender	Development site for two homes
MK Gallery	Leisure	Terms agreed	Land to be transferred to MKC to facilitate expansion under a restructured lease.

<b>Site</b>	<b>Type</b>	<b>Status</b>	<b>Notes</b>
Monkston Park - Ladbroke Grove	Residential	Terms agreed and solicitors progressing contracts	Plot to be sold to a co-housing group.
Monkston - Lilleshall Avenue	Residential	Preferred developer appointed. Heads of terms agreed and solicitors appointed.	Scheme of 25 new and affordable homes.
Monkston Park – Self Build	Residential	Seven self build plots have been marketed	All plots have exchanged, 3 have completed and 3 have submitted planning.
Pineham	Commercial	Terms agreed with developer	Developer acting on behalf of a European retailer requiring a national warehouse and distribution facility.
Shenley Church End - Aldwycks Close,	Residential	Progressing Contracts	Two self build plots
Shenley Wood Site D	Education	Terms agreed and solicitors instructed	Disposal to facilitate the proposed primary school. The Development Brief supporting the change of uses has been approved and formal MKC approval is anticipated 21 /12
West Ashland North	Commercial	Terms agreed and solicitors instructed	Disposal to Bucks and MK Fire Authority
West Ashland South	Commercial	Terms agreed and solicitors instructed	2 acre parcel on a long leasehold disposal to a logistics company. Pre-app submitted and design finalised. Awaiting formal planning application.
Winterhill – Honda F1	Commercial	Land transaction completed and planning approved	Construction has commenced. Practical completion of the scheme is anticipated q2 2016.
Wolverton Site E	Commercial	Contracts exchanged	c30,000 sq ft of offices and warehousing, Planning submitted Nov'15.
Wolverton Site G (South)	Commercial	Conditional sale contract agreed and exchange imminent	Proposed for sui generis use. Subject to change of planning use
Worrelle Avenue Middleton	Residential	Preferred developer appointed	27 unit residential development to include market and affordable homes