

## **ANNEX A**

### **Milton Keynes Development Partnership (MKDP)**

### **Quarterly Update to MKC's Cabinet meeting on 3<sup>rd</sup> January 2017**

### **Progress on MKDP Business Plan to December 2016**

#### **Introduction:**

MKDP is an independent legal entity wholly owned by and accountable to Milton Keynes Council. We are required to submit a Business Plan annually with quarterly updates to Cabinet.

As a consequence of the pending independent review findings (see below) and the relatively short period since the submission of MKDP's annual Business Plan in October this is an interim update.

#### **MKDP Review**

MKC (Corporate Services) has commissioned independent consultant Steve Mallen to undertake a strategic review of MKDP. The review's conclusions will be reported in December 2016. An integral part of this project entails an extensive series of stakeholder interviews in order to gain a comprehensive understanding of MKDP's operations and strategic direction from multiple perspectives. This will help ensure market and stakeholder alignment in the future.

#### **Highlights**

- MKDP continues to make solid progress against financial targets and continues to be confident that it will generate sufficient capital and/or income to pay down the debt of £32m and/or pay the interest on the balance of any remaining debt from March 2019 as required by MKC.
- Since December 2015, we have completed on 9 schemes generating capital receipts of £7.874m, exchanged contracts on a further 3 land transactions.
- Since submission of the October Business Plan we have drawn in tender returns on 4 sites.

#### **Site Updates**

- **B4:** We have agreed terms with the HCA to acquire the balance of land on B4, originally subject to a residential development proposal by Barratts. Issues have been raised by the HCA regarding restrictions applying to the site which are the subject of ongoing discussions.
- **B3.3N:** Sterling Property Ventures has undertaken initial stakeholder engagement and discussions with MKC Planning team regarding the proposed planning application for a major new office led mixed-use project in the heart of the CBD.
- **Campbell Park Northside:** International property consultant Knight Frank (KF) has received 7 bids for the role of MKDP's Strategic Development Partner to bring

forward a major high quality residential led development of c 12 ha to the north of Campbell Park. KF is undertaking due diligence prior to recommending a short list to MKDP.

- **Campbell Park Canalside** - Crest Nicholson and MKDP held a three day public exhibition in Middleton Hall Centre MK on the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> November to launch formal public consultation on this significant residential scheme. The event was very successful attracting significant interest from the general public and over 130 formal comments.
- **Renaissance: CMK** - MKDP is working with MKC on developing the way forward on CMK Renaissance which is one of the Six Big Projects identified by the MK Futures 2050 Commission. MKDP and MKC are working together and towards the publication of a Prospectus (investment plan) during 2017. To inform the Prospectus MKDP are commissioning sector specific research looking at CMK's residential, retail, leisure and office/employment markets. This work will facilitate the integration of development in CMK with the wider focus of MK Futures 2050, including projects at the heart of the Cambridge- Milton Keynes- Oxford corridor, Smart Shared Sustainable Mobility, MK:IT (the new-style university for Milton Keynes) and the Creative and Cultured City.
- **Tickford Fields Farm** - MKDP in its role as Strategic Property Advisor to MKC has been asked to review options and assist as 'agent' in the promotion and development of the Council's land at Tickford Fields Farm, Newport Pagnell. A full professional team to address masterplanning and the subsequent submission of an outline planning application have been appointed and initial scoping work with Newport Pagnell Town Council as qualifying body for the Neighbourhood plan has commenced. A draft masterplan is anticipated to be ready for public consultation in the New Year.

### **Financial update:**

The pipeline of potential transactions continues to improve, which is providing added security towards achieving our target income. However, as the business plan matures, some of the potential benefits are being offset by contractual and planning delays and some volatility following BREXIT. To reflect this risk MKDP is continuing to apply a risk factor to each transaction to recognise the uncertainties and the uneven nature of capital receipts from property transactions and development.

Forecast Capital receipts for the financial year to 31<sup>st</sup> March 2017 have been revised upwards to £7m due to reaching previously estimated targets.

The forecast revenue and capital position for MKDP from 2016/17 to 2020/21 is below:

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



<i>Probability Factor Applied</i>	<i>75%</i>	<i>50%</i>	<i>75%</i>	<i>75%</i>	<i>75%</i>
<b>2016-21 Financial Plan</b>	<u><i>2016/17</i></u>	<u><i>2017/18</i></u>	<u><i>2018/19</i></u>	<u><i>2019/20</i></u>	<u><i>2020/21</i></u>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<u><i>P&amp;L</i></u>					
<b>Expenditure</b>	<i>2,540</i>	<i>2,914</i>	<i>4,606</i>	<i>3,303</i>	<i>2,950</i>
<b>Income</b>	<i>(2,961)</i>	<i>(2,967)</i>	<i>(2,950)</i>	<i>(3,070)</i>	<i>(3,116)</i>
<b>Annual (Profit)/Loss</b>	<i>(421)</i>	<i>(53)</i>	<i>1,657</i>	<i>233</i>	<i>(165)</i>
<b>Cumulative (Profit)/Loss (Oct '16)</b>	<i>(2,871)</i>	<i>(2,924)</i>	<i>(1,267)</i>	<i>(1,034)</i>	<i>(1,199)</i>
<b>Adjusted Cumulative (Profit)/Loss (July '16)</b>	<i>(2,574)</i>	<i>(2,750)</i>	<i>(2,187)</i>	<i>(2,097)</i>	<i>(2,432)</i>
<b>Capital Expenditure</b>	<u><i>2016/17</i></u>	<u><i>2017/18</i></u>	<u><i>2018/19</i></u>	<u><i>2019/20</i></u>	<u><i>2020/21</i></u>
<b>Site Preparation</b>	<i>1,670</i>	<i>548</i>	<i>3,828</i>	<i>400</i>	<i>400</i>
<b>Repay Debt</b>	<i>5,677</i>	<i>7,143</i>	<i>1,689</i>	<i>8,901</i>	<i>3,016</i>
<b>MKC Cost Contribution</b>			<i>4,000</i>		
<b>MK Tariff Risk Share Reserve</b>			<i>580</i>	<i>580</i>	<i>580</i>
<b>Total Capital Expenditure</b>	<i>7,347</i>	<i>7,691</i>	<i>10,097</i>	<i>9,881</i>	<i>3,996</i>
<b>Capital Receipts</b>	<i>(6,604)</i>	<i>(9,975)</i>	<i>(7,813)</i>	<i>(9,881)</i>	<i>(5,996)</i>
<b>Net Capital Position</b>	<i>743</i>	<i>(2,284)</i>	<i>2,284</i>	<i>0</i>	<i>(2,000)</i>
<b>Cumulative Capital Position (Oct '16)</b>	<i>0</i>	<i>(2,284)</i>	<i>0</i>	<i>0</i>	<i>(2,000)</i>
<b>Cumulative Capital Position (July '16)</b>	<i>0</i>	<i>0</i>	<i>(0)</i>	<i>(0)</i>	<i>(2,000)</i>

The 2016/17 forecast profit of £421K has increased since July 2016 as a result of outstanding vacancies, an underspend on land and site preparation costs and a small increase in parking income. Additional spend on the Old Bus Station repairs and general maintenance has reduced a potentially higher increase in profit. General land costs have been revised down in the latest budget update for 2017/18 onwards, however an increase in other spending such as the CMK Renaissance contribution, Bus Station improvement works (yet to be confirmed) and revised MK Bowl income as less activity is being held on the site. It is worth noting that the parking income may increase due to a shortfall in shared parking income payments from MKC but this is yet to be agreed.

One further capital receipt has been secured since July 2016 at site Wolverton E, with 3 potential receipts outstanding, 2 residential out of town sites at Aldwycks Close Shenley Wood and Lilleshall Avenue Monkston Park. Shenley Church End Independent School is also expected to complete by the end of the current financial year.

The forecast includes the additional £4m required by MKC in March 2019 to assist with its budget delivery in that year. The payment of this additional contribution increases MKDP's debt and will impact on its ability to invest in projects and direct development opportunities.

MKDP's finances are dented 18/19 and 19/20 as a consequence of the £4m contribution, increased site preparation works, interest charges and £580k pa contribution to MKC's Tariff

Risk Reserve. Finances are forecast to recover by 20/21 as a consequence of significant capital receipts and growth in annual revenues

## **Other matters**

**Changes to Board** - Due to his other business commitments Will Cousins has taken the decision to resign from the Board effective November 2016. We would like to formally thank Will for his significant contribution and insight over recent years. Independent Board Members' term of appointment expire during 2017. A formal succession and renewal process is proposed which will be left in abeyance until the outcome of the MKDP review is known.

**Appointment of Company Secretary** - A recommendation from Internal Audit earlier this year was that MKDP would be far stronger organisationally if it appointed a qualified Company Secretary to monitor and review MKDP's Governance processes to provide significant assurance to stakeholders that high standards of corporate governance are being applied.

Mazars LLP, who are Members of the Institute of Company Secretaries, were appointed in October 2016 to provide the necessary secretariat support. Their tenure will be reviewed on an annual basis. Mazars remit includes an initial review of MKDP's constitutional documents; a review of procedural documents; attendance at Board meetings; providing specific legal duties with regards to Governance including any ad-hoc items that arise.

## **Key transactions for financial year 2016/17:**

### **Residential**

- Atterbury – this is a residential scheme of 131 homes with 30% affordable and which incorporate 15 self build plots to be marketed by MKDP. Contracts were exchanged in September 2016 and it is anticipated that the planning application will be submitted in Q1 of 2017.
- Campbell Park Canalside – this is a residential led mixed use scheme comprising 380 units of 2, 3, and 4 bed apartments and townhouses including 30% affordable homes, with a children's nursery, convenience store, restaurant, bar and a 100 berth marina. Contracts were exchanged in July 2016 and it is anticipated that the planning application will be submitted during Q1 2017.
- Monkston Park Self Build Plots – all 7 plots have completed.
- Aldwycks Close Self Build Plots – one plot has exchanged contracts in August and one plot will be remarketed.
- Little Meadow - The developer has withdrawn from this site and the development brief is being revised by MKC after which the site will be remarketed.

### **Commercial**

- West Ashland South – Planning consent granted and the S106 completed. A 150 year building lease granted on 20th July 2016 on receipt of the premium.

- West Ashland North – Contracts were exchanged on 27<sup>th</sup> July 2016. The planning application was validated on 10th August 2016. Assurances have been received that the application will go before DCC on 5th January 2017.
- Wolverton Site G – The Development Brief has been prepared and it is currently subject to consultation.
- Wolverton Site E – Construction underway for c 30,000 sq ft of offices and warehousing. Anticipated completion during summer 2017.
- Knowlhill and Rooksley – these two sites have been sold, subject to contract and planning, 2x 3 acre sites, one in Knowlhill and the other in Rooksley. Legal contracts are well advanced with agreements expected in Q1 2017. Upon contracts being exchanged, planning applications will be submitted by both developers who propose a mix of pre-let and pre-sold commercial accommodation along with some much needed speculative development for which demand appears strong.

## Education

- Kents Hill Secondary School – this disposal is for a 750 place secondary school and 50 place special school. Transaction completed.
- Kents Hill Primary – disposal for a 330 place primary school with a 26 place day nursey. Transat ion completed..
- ISS Shenley Church End – Contracts were exchanged in June 2015. Completion is subject to an amended planning consent which is anticipated in March 2017.
- Shenley Wood Site D - Disposal to facilitate the proposed 420 place primary school with a 26 place day nursery. Transaction completed.

## Other

- MK Gallery (MK:G) – land to be transferred to MKC to facilitate the expansion of the gallery.
- Old Bus Station - marketing was brought to a close at the end of October and bids were reported to Board with due diligence being carried out on 6. Interviews have taken place with potential occupiers with a likely amalgam taking place across ground and first floor.
- Westbury Farm – Westbury Art Centre has agreed a new 3 year lease and can be signed. WAC is however seeking a new lease with a 25 year term to allow them to access grants and other funding to develop their cultural offer. We are investigating the possibility that WAC may relocate to an empty MKC owned property which would free up Westbury Farm for housing development.
- Multi Storey Car Park - MKC and MKDP have been assessing methods for the delivery of a MSCP on the A3.1 site adjacent to MK Station. A preferred/emerging strategy is being agreed with MKC.