

REVIEW OF MILTON KEYNES DEVELOPMENT PARTNERSHIP

Responsible Cabinet Member: Councillor Middleton (Cabinet member for Resources and Innovation)

Report Sponsor/ Author: Duncan Sharkey (Corporate Director - Place) (01908) 253411

Nicole Jones (Corporate Director Resources) (01908) 252079

Executive Summary:

The Milton Keynes Development Partnership (MKDP) was formally constituted in January 2013, with its purpose being to advance the financial, development and economic potential of the assets purchased from the Homes and Communities Agency.

The Cabinet decided a review of MKDP should take place, to inform the future direction of the organisation in light of the progress to date; the Council Plan and the MK Futures 2050 vision. The review was conducted by an independent consultant between October 2016 and January 2017.

This report is to receive the findings of the independent consultant, as set out in the report attached. Two stakeholder sessions are currently being planned to discuss the findings of the review and to inform the Council's response. The Council's response to the recommendations and a resulting action plan will be proposed in May for approval as a Delegated Decision.

1. Recommendation(s)

- 1.1 That the report of the independent consultant be noted.
- 1.2 That it be noted that a response and action plan will be developed and recommended for approval in May.

2. Background

- 2.1 MKDP was formally established in January 2013 as a wholly owned limited liability partnership (LLP) structure. Its purpose was to advance the financial, development and economic potential of the property and land assets purchased from the Homes and Communities Agency. The purchase of assets was part of a wider agreement with Government that enabled the Council to take on the leadership and development powers for growth across the Borough. As part of this arrangement the Council also took on the management of the Milton Keynes Tariff.
- 2.2 While the Cabinet recognises the progress MKDP has made over the four years since its creation, the clarity of direction set out in the Council Plan and the MK Futures 2050 report has provided a clearer framework for the ambition

for MKDP. It is also good practice to review organisations to ensure they remain fit for purpose and are delivering the outcomes required.

3. **MKDP Achievements to Date**

3.1 MKDP has delivered some significant benefits for Milton Keynes in its four years of operation. This is shown in both the strong financial performance recognised as part of the external review (see below) and in the pipeline of projects completed or underway, which support the delivery of additional housing and economic growth for the Borough. There are also a number of schemes where MKDP has supported Milton Keynes Council in delivering its objectives. Some examples include:

(a) Residential Schemes

- (i) Atterbury - c131 unit residential scheme with 30% affordable and incorporating 15 self-build plots to be marketed by MKDP.
- (ii) Campbell Park Canalside - mixed use scheme comprising c380 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.

(b) Commercial Schemes

- (i) CMK B3.2s - Completion of first new speculative office development in c 8 years. 40,000 sq ft part pre-let to Grant Thornton
- (ii) CMK B3.3n - Promotion agreement with Sterling Property Ventures for exceptional office lead mixed use scheme in CMK.
- (iii) CMK B3.1s - Under offer for new 121 bed hotel
- (iv) Winterhill - New Research and Development facility for Honda Formula 1
- (v) Wolverton Site E - Construction underway for c 30,000 sq ft of offices and warehousing.
- (vi) Knowlhill - Disposal following tender for new warehousing and office scheme extending to c 52,000 sq ft

(c) Other Schemes

- (i) Kents Hill - disposal to facilitate c 750 place secondary school and 50 place special school and c330 place primary school with a 26 place day nursery.
- (ii) MK Gallery (MK:G) - land to be transferred to MKC to facilitate the expansion of the gallery.
- (iii) Old Bus Station - provision of facilities for Winter Night Shelter.
- (iv) Multi Storey Car Park - lease of land to MKC to facilitate new MSCP adjacent to MK Station.

4. **MKDP Review**

- 4.1 The independent consultant's findings from the review are set out at Annex A to this report. The scope set by the Council for MKDP review is set out as Appendix A to the independent consultant's report. The review was conducted between October 2016 and January 2017 and constituted a range of interviews with key stakeholders; a review of the performance of MKDP against its business plan and attendance at the MKDP Board.
- 4.2 The review recognises the strong financial performance of MKDP in the four years since its creation. The current projection is that c50% of the initial £32m cost of the assets will be repaid by 2018/19 and potentially the total asset value could be repaid by 2020/21. There is also a strong project pipeline and a competent team in place.
- 4.3 However, the review has identified a number of areas which could build on the current strengths of MKDP and has made 17 recommendations. These cover a range of themes including:
- (a) Defining the objectives for MKDP.
 - (b) The Board and governance arrangements.
 - (c) Stakeholder relations.
 - (d) Financial arrangements.
 - (e) MKDP Executive.
 - (f) Management of the assets.
 - (g) Alignment with wider objectives.

5. **Next Steps**

- 5.1 The Council is receiving the report of the independent consultant and recognises that the recommendations made are reflections of his experience in the sector and the research he has completed. Two stakeholder sessions and a discussion with the MKDP Board will take place to discuss the recommendations made. These will be facilitated by the independent consultant. These stakeholder sessions will then inform the Council's response to the recommendations and the resulting action plan.
- 5.2 The Council will set out its response and action plan for approval in May.

6. **Options**

- (a) Not receive the review - the Council would need to be clear why the outcomes of the independent review were not being accepted. This approach would create a reputational risk, as the review engaged widely with stakeholders to inform the recommendations. Receiving the review allows the Council to consider its response to the recommendations; it does not mean all the recommendations will be accepted as set out.

- (b) Accept the review and develop a response to the recommendations and an action plan. This is the recommended approach.

7. Implications

7.1 Policy

The Council Plan 2016-20 sets out three key aims for Milton Keynes, these are:

- (a) A city of opportunity.
- (b) An affordable city.
- (c) A healthy city.

There are also a number of key priorities including addressing the financial challenges of the Council including homelessness; housing and particularly affordable housing; economic growth and prosperity and investment.

Part of the rationale for reviewing MKDP was to determine if the organisation could be better aligned with these Council Plan priorities. Therefore the outcome of this review presents an opportunity to ensure that MKDP enables the delivery of Council Plan objectives.

7.2 Resources and Risk

Receiving this review has no direct financial implications. However, when considering the Council's response to the review the potential financial implications will need to be considered.

MKDP has £32m of debt associated with the assets initially purchased and while this is being paid down, the Council's medium term financial position has assumed that MKDP will be able to take on the residual costs of this debt from 2019/20.

N	Capital	N	Revenue	N	Accommodation
N	IT	N	Medium Term Plan	N	Asset Management

7.3 Carbon and Energy Management

There are no direct impacts as a result of receiving this review.

7.4 Legal

There are no legal implications arising from receiving this review. However, the recommendations on governance and form of MKDP will need to be considered to ensure the proposed operation delivers a robust internal control framework and continues to meet the Council's legal requirements.

7.5 Other Implications

N	Equalities/Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder

Background Papers: None