



Millbrook, Bedford, MK45 2JQ, UK

www.millbrook.co.uk

STATEMENT OF ECONOMIC BENEFITS

May 2017

Outline Planning Application: CB/05887/OUT

Land Opposite The Lane & Lombard Street, East of Marston Road, Lidlington

Introduction

1. This Statement has been prepared by the applicant, Millbrook Proving Ground Limited ("Millbrook", or "the Company") to provide additional detail to that included in previous correspondence submitted to the Council (letter from Millbrook President Alex Burns dated 15th December 2016; and letter from Simon James, DLP Planning dated 7th February 2017).
2. The purpose of this Statement is to explain the likely benefits that would accrue from the development of the land, contingent upon planning permission being granted on the terms sought in the application and accompanying draft S106 Obligation, in terms of both future investment and potential job creation, at Millbrook Proving Ground itself, and also the local economy more widely.

Spectris Plc Acquisition of Millbrook Proving Ground Ltd

3. In September 2016 Millbrook was acquired by Spectris plc from the previous owners, Rutland Partners. Spectris is a UK-based listed company and a leading supplier of productivity-enhancing instrumentation and controls to the international market. It has four key business segments; Test & Measurement (into which Millbrook falls); Materials Analysis; In-Line Instrumentation; and Industrial Controls.
4. Millbrook continues to maintain its own identity as a limited company, with its base in Central Bedfordshire, and has its own ambitious growth plans.
5. Spectris acquired Millbrook because it provides a strong UK-based platform on which it can grow a substantial test services business. Spectris is currently evaluating a number of growth opportunities at Millbrook and has committed to invest £20million in the facilities in 2017, with further investments to follow in subsequent years.

Site Valuation

6. The application site, whilst outside of the Company's defined operational zone, is nonetheless part of the Key Employment Area, as defined in planning policy. As part of the review of the landholding leading up to the submissions of the application for development of the Technology Park (Ref CB/14/02490/OUT), it was decided, on balance, that the land was more suited to residential development, this notwithstanding its policy reference as a Key Employment Site. Moreover, and again notwithstanding its policy allocation, the Company sees the site as contributing to the investment package being put into place at Millbrook to support its continued growth and expansion in what is a competitive global market.

7. As the site is without formal use, and indeed elements have become derelict (the scout hut), the Company wish to make beneficial use of the land in a manner that both responds to the local environmental context, will provide community benefits and also will provide to the Company welcomed capital to support further investment and additional job creation.
8. Initial valuation of the development site, assuming a grant of outline planning permission on the terms sought, suggests the **sale of the land would generate in the region of £3-4 million**. This is a net figure taking into account contributions being made to other community focused benefits and requirements, inter alia:
 - Provision of 35% on-site affordable housing;
 - Early Years, Lower, Middle and Upper School Education contributions;
 - Contribution to enable a Junction Assessment of the Lidlington A507 (Woburn Road) and Bury Ware Road junction;
 - Leisure Centre Contribution;
 - Railway Improvement Works contribution;
 - Contribution towards improvements to the existing recreation ground in Lidlington;
 - A contribution towards the maintenance as the Scout Hut Land as open space; and
 - Contribution towards the improvements to the existing sports pavilion in Lidlington;
9. At this stage this is an initial valuation based on current general values and costs but without the benefit of detailed inputs (e.g. ground conditions etc) that would serve to refine it either up or down. Irrespective of this however the Company is committed to investing 100% of the capital receipt into its *Capital Investment Programme*.

Capital Investment Programme

10. Millbrook's *Capital Investment Programme* includes a number of projects and improvements over the next 5 years intended to maintain and enhance the Company's competitive advantage as one of the world's leading vehicle test and development centres. These comprise a series of both stand-alone and integrated projects, some of which are commercially highly sensitive.
11. Millbrook can confirm that 100% of the sum raised from the sale of the residential land is to be added directly to Millbrook's *Capital Investment Budget*, and then used for the development of new projects within the proving ground as set out in the Capital Investment Programme¹. Confirmation of this has already been made in a letter from the Millbrook President, Mr Alex Burns, submitted as part of this application (dated 15th December 2016) in which he confirms the intention to use the proceeds from the sale of the land to advance planned developments on the main operational site. The benefits of this, in terms of job creation, are elaborated on below.

¹ For reasons of commercial sensitivity it is not possible to publically disclose the company's Capital Investment Programme.

Direct Job Creation

12. The projects set out within the *Capital Investment Programme* will increase the number of direct jobs on the Millbrook site. It is possible to broadly calculate the number of jobs likely to be created by £3-4m of additional capital investment by looking at past trends in terms of the relationship between Capital Expenditure and job creation.

Millbrook Occupied Facilities

13. To calculate the average number of jobs created by capital expenditure projects, we have looked specifically a number of Powertrain facility projects that are planned for the next 12-18 months. These will create new facilities for testing engines, complete powertrains and whole vehicles. The investment will be £18m and the projects will create 27 new direct jobs, giving 1.5 direct jobs per £1m investment.
14. It should be noted that the above simply relates to new direct jobs created, it does not consider those existing jobs safeguarded by the investment projects listed.

Third Party Occupied Facilities

15. Millbrook's *Capital Investment Programme* also includes projects that are built within the Proving Ground, but leased by other third party companies who operate in the same industry (or similar) and benefit from being located within the Proving Ground. An example of this is the buildings rented out on short term leases to automotive/transport companies such as UK-based premium vehicle manufacturers and SMEs working on driverless vehicles (expected to be a growing sector at Millbrook).
16. Historically, the leasing of site facilities within the Proving Ground has produced substantially higher levels of employment than those run directly by Millbrook. This is a result of the fact that leaseholders bring new highly skilled and specialised workforces to the site, whereas facilities run by MPG may transfer and retain existing employees across the site. These engineers, also, often relocate to the Central Bedfordshire area, or use local accommodation and facilities whilst working at MPG.
17. In this model, a workshop/office complex, with conferencing rooms, passenger car workshops and large vehicle workshops would cost circa £3million to build.
18. In terms of jobs created, the rental tenants would bring a different number of engineers to site depending on where the vehicle is in the development cycle, however, it is reasonable to average this at 3 engineers per vehicle, with a standard workshop having a capacity to accommodate 10 vehicles.

19. On that basis each facility could reasonably be expected to host 30 staff, equivalent to 10 staff per £1m capital expenditure. With occupancy at any one point in time typically 70%, this would equate to **7 jobs per £1m of investment coming into the area.**

High Skilled Jobs

20. It is important to emphasise that the vast majority of jobs created by capital investment in the Millbrook site will be **highly skilled and well paid jobs**. Typically, most engineers employed in the new facilities created will be **qualified to degree standard and earn in the region of £45-75k per annum.**

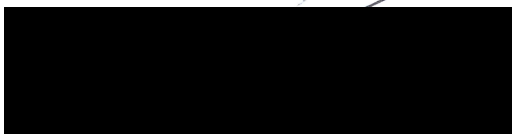
Indirect and Induced Jobs

21. In addition to direct jobs created by the capital investment programme, new building projects are known to create a number of indirect and induced jobs.
22. **Indirect jobs** are jobs that are an output of additional activities made possible by the project, but not as a direct output of the project itself. A common example of this would be construction jobs.
23. **Induced jobs** are additional jobs flowing from the wider beneficial effects of the project that fall outside the direct and indirect jobs. For instance jobs that are created or supported within local shops as a result of increased expenditure by those employed directly within the facility.
24. As a broad indication of the likely rate of indirect and induced job creation produced by the *Capital Expenditure Programme*, we can draw on the Standard Economic Appraisal that was prepared to support the planning application for the approved Millbrook Technology Park (CB/14/02490/OUT).
25. The Technology Park application had an estimated construction cost of £61 million and was predicted in 2014 to lead to 279 indirect construction-related jobs. **This can be translated to 4.6 construction jobs per £1m capital investment.**

Summary of Economic Benefits

- Assuming outline planning permission for up to 40 dwellings, the Land Opposite the Lane & Lombard Street, East of Marston Road, Lidlington, is estimated to be worth in the region of £3-4 million.
- This sum will be invested directly into Millbrook's Capital Investment Budget.
- The company's Capital Investment Programme, to be approved by Spectris Plc, includes a number of projects that will help maintain and improve MPG's competitive advantage as one of the world's leading vehicle test and development centres.
- A typical project for use by MPG can be expected to generate 1.66 additional direct jobs per £1m invested. A capital investment of £4m could therefore be expected to generate 6.64 additional direct jobs for MPG.
- A typical project for lease can be expected to generate 7 additional direct jobs per £1m invested. A capital investment of £4m could therefore be expected to generate 28 additional direct jobs in non-MPG employment within the MPG site.
- A typical project can also be expected to generate a further 4-5 indirect construction related jobs per £1m invested. A capital investment of £4m could therefore be expected to generate up to 20 additional indirect construction jobs.
- Most direct jobs created are likely to be highly skilled and highly paid and will result in additional induced jobs in the local economy.
- A capital investment of £3-4m will help safeguard existing highly skilled jobs at Millbrook Proving Ground.
- It will also continue to help to attract some of the world's leading companies to do business in Central Bedfordshire.

Signed:

A black rectangular redaction box covering the signature of Alex Burns.

Alex Burns
President