

MILTON KEYNES:

**MAKING A
GREAT CITY
GREATER**

Commission Working Paper 4

A Resilient Milton Keynes Economy

Shared Intelligence

Milton Keynes Futures 2050 Commission





SHARED INTELLIGENCE

CWP4 A Resilient Milton Keynes

JUNE 2016

A RESILIENT MILTON KEYNES ECONOMY

COMMISSION WORKING PAPER 4

1. Milton Keynes (MK) has been the fastest growing UK city over the last thirty years, both in terms of employment and economic output. Labour productivity is already well above the national average. This paper will consider how MK can build on her economic strengths and continue to make a vital contribution to the UK economy in the coming decades. It draws from a wide range of sources including an analysis by the Centre for Cities, the MK Local Economic Assessment, the MK Skills Strategy, and forecasts for the MK economy prepared by Cambridge Econometrics.¹
2. This Working Paper comprises four sections:
 - trends shaping the UK economy over the long-term (2050);
 - the role of Milton Keynes in the UK economy today;
 - the rate and scale of economic growth to 2026 and to 2050;
 - how MK can continue to remain prosperous and play a key role in the UK economy.
3. The final section sets out how the Commissioners might approach constructing alternative visions and a preferred vision. It addresses whether it is possible for MK's economy to continue to expand to 2050, if it is in the interest of MK's citizens for it to do so, and if so, how could this be achieved.

TRENDS SHAPING THE UK ECONOMY OVER THE LONG-TERM (2050)

4. We live in a dynamic and turbulent world. Over the next 35 years, the global and the UK economy will evolve, and many of these changes cannot be anticipated. However, it appears likely that several key trends will continue and will impact on the UK economy to 2050. We focus on a critical few: shifts in global economic power, technology and the rise of the knowledge economy, demographics, changes in the roles of cities and business structures, and resource scarcity and climate change.

SHIFTS IN GLOBAL ECONOMIC POWER

5. The balance of economic activity is shifting towards emerging economies. In 1992, the advanced economies accounted for two-thirds of world GDP but their contribution fell to less than half by 2012.² For example, China has already overtaken the US in 2014 to become the largest economy in purchasing power parity terms. This shift in economic power will continue over the next 35 years. 'Emerging economies' like Mexico and Nigeria are expected to be larger than the UK by 2050.³ By 2030, Asia is projected to account for 66% of the global middle class.⁴ This has important implications for the UK:

¹ Andrew Carter, Centre for Cities (2015) Milton Keynes: Where have we been? Where are we going?; Regeneris (2015) Milton Keynes Local Economic Assessment; Cambridge Econometrics (2015) The Economic Prospects for Milton Keynes to 2050

² IMF (2014) Crystal Ball, Finance & Development (Vol. 51, No. 3)

³ The UK is expected to hold its position relatively well in the long-term - see: PwC (2015) The World in 2050, Will the shift in global economic power continue?

⁴ World Economic Forum (2016) The Future of Jobs

- **Patterns of global trade will change significantly.** While in the last few years, global trade growth has slowed down sharply, the share of global economic activity taking place across borders is expected to increase substantially in the coming decades. This will be driven by the twin forces of rising prosperity in emerging markets⁵ and the increasing impact of digital technologies.⁶ The value of global flows in goods, services, and finance is forecast to reach \$54 to \$85 trillion in 2025, up from \$26 trillion in 2012.⁷
- **There will be more opportunities for trade and investment.** The markets in emerging countries promise high growth and profitable opportunities.⁸ This is expected to drive a shift in UK exports towards emerging market countries (especially in Asia).⁹ As international competition grows, innovation and specialisation will become even more important for UK businesses.
- **“Virtual” trade in ideas and intellectual property will increase** relative to “traditional” trade in physical goods.¹⁰ Knowledge intensive services, like creative, digital and professional services, will become even more important to the UK economy. As some emerging economies start to rebalance from exports towards consumption-led growth, demand will increase for these services. The UK will also seek to retain her **comparative advantage in some areas of high value-added production**, including pharmaceutical products, as well as luxury consumer goods.¹¹
- Rapid population growth in China, India, and other emerging economies is leading to **increases in their supply of skilled – and unskilled – workers.**¹² UK higher skilled labour will be competing even more with skilled workers in these countries. Low-skilled labour will find it increasingly difficult to acquire a decent job outside the service sector. Thus, **emerging market countries will continue to rise up the value chain**, and start providing an increasing level of direct competition to UK providers of high-tech goods and skilled services. On the other hand, developed countries will also be able to benefit from **“reshoring” as wage gaps close.**¹³ “Reshoring” has the potential to create 100-200,000 jobs in the UK by the mid-2020s.¹⁴

TECHNOLOGY DEVELOPMENTS AND THE RISE OF THE KNOWLEDGE ECONOMY

6. The pace of recent innovations in digital communications technology has been astonishingly fast, and will accelerate. Globally there are now 3.2 billion people using the Internet, and more 7 billion mobile cellular subscriptions. E-commerce is the “normal” mode of transactions in most economic sectors, while digital technologies are driving fundamental business transformations (e.g. in automotive manufacturing, retail, music, and news media) and the rise of the “sharing economy”.¹⁵ As a recent World Economic Forum report puts it: *“Developments in previously*

⁵ The size of the “global middle class” will increase from 1.8 billion in 2009 to 3.2 billion by 2020 and 4.9 billion by 2030 - source: Homi Kharas, Brookings Institution (2011) *The Emerging Middle Class in Developing Countries*. Although recent [research](#) disputed the true size of this emerging middle class.

⁶ McKinsey Global Institute (2014) *Global flows in a digital age: How trade, finance, people, and data connect the world economy*

⁷ McKinsey Global Institute (2014) *Global flows in a digital age: How trade, finance, people, and data connect the world economy*

⁸ David Court and Laxman Narasimhan, McKinsey (2010) *Capturing the world’s emerging middle class*

⁹ See, for example: http://pwc.blogs.com/megatrend_matters/2015/12/shift-in-global-economic-power-shaping-the-future-of-uk-exports.html

¹⁰ UBS (2016) *Extreme automation and connectivity: The global, regional, and investment implications of the Fourth Industrial Revolution*

¹¹ BIS Economics Paper No. 17 (2012) *UK trade performance across markets and sectors*

¹² Three times as many degrees are awarded in the 7 main emerging market (E7) countries than G7 countries (PwC). Although, counterintuitively, a threat to future global growth comes from the gradual decline in the growth rate of the global labour force (IMF).

¹³ Already, more than 50% of global CEOs are concerned about rising labour costs in emerging markets – source: PwC (2014) *17th Annual CEO Survey*

¹⁴ Annual output could rise by something of the order of £6-12 billion (at constant 2012 prices) – source: PwC (2014) *UK Economic Outlook March 2014*

¹⁵ Martin Wolf, Financial Times (2016) *Seven ways technology has changed us* ([link](#))

disjointed fields such as artificial intelligence and machine learning, robotics, nanotechnology, 3D printing and genetics and biotechnology are all building on and amplifying one another".¹⁶ Digital technologies – in their widest sense – are transforming traditional modes of manufacturing, leading to sectors coming together and transforming economic activity more generally.¹⁷ Some of the implications for the UK economy include:

- **Investment in technology and automation is both replacing and boosting productivity of many jobs.** Over the next 30 years, there is expected to be a significant shift in the UK job market from routine to non-routine work.¹⁸
- These investments will also drive jobs growth in **knowledge intensive business activities** such as information and communications technology (across the economy) and professional, scientific and technical services and finance and business services. There will be a moderate decline in manufacturing activities and a more significant decline in routine office and administrative roles.¹⁹ Technological progress continues to create mainly skilled new jobs and this is likely to continue.²⁰
- **The skills content of many different jobs will also change significantly.** There will be strong demand for ICT literacy across industries. In the health sector, for example, we could see care workers assisting with home-based diagnostic and monitoring devices. Or, in the construction sector, increasingly sophisticated building technologies will demand new installation, and maintenance skills. Automation will put downward pressure on the wages of the low skilled.
- A range of **technological advances in manufacturing** technology promises changes in the structure and location of manufacturing activities. For example, 3D printing²¹ allows on-demand, local, production. This has far-ranging implications for supply chains, production networks and working patterns. Recent estimates suggest that global demand for 3D printers could increase by around 20% per annum just over the short term to 2017;²² after that growth may accelerate even faster. The introduction of cheaper forms of advanced robotics, which can work with humans, is also expected to have a significant impact on the world of work.²³
- In the longer term, the Bank of England forecasts that 35% of jobs in the UK are at 'high' risk of automation in the coming decades.²⁴ While this figure is far from certain²⁵, it is clear that workers in advanced economies will need to continually upgrade their skills if they are to thrive in an increasingly knowledge-based economy. **The importance of, and skill premium attached to 'non-cognitive skills' (e.g. complex problem solving and social skills) will rise.**²⁶ By one popular estimate, 65% of children entering primary school today will end up working in completely new job types that don't yet exist.²⁷ This

¹⁶ World Economic Forum (2016) The Future of Jobs

¹⁷ McKinsey Global Institute (2014) Global flows in a digital age: How trade, finance, people, and data connect the world economy

¹⁸ Cambridge Econometrics (2015) The Economic Prospects for Milton Keynes to 2050

¹⁹ World Economic Forum (2016) The Future of Jobs

²⁰ Citi GPS: Global Perspectives & Solutions (2015) Technology at Work: The Future of Innovation and Employment

²¹ (Building objects layer-by-layer from a digital master design file)

²² Marketwatch; <http://www.marketwatch.com/story/world-3d-printing-market-2014-01-28>

²³ Between 2015 and 2017, robot sales are estimated to increase by about 6% in Europe, and about 16% in Asia/Australia on average per year. Source: IFR (2014) World Robotics 2014 Industrial Robots

²⁴ Andrew G Haldane, Chief Economist, Bank of England (2015) Labour's Share – a speech to the TUC ([link](#)).

²⁵ More recent estimates from the OECD suggest the actual figure could be far lower (around 10% for the UK) - source: OECD (2016) The Risk of Automation for Jobs in OECD Countries

²⁶ World Economic Forum (2016) The Future of Jobs / Andrew G Haldane, Chief Economist, Bank of England (2015) Labour's Share

²⁷ Scott McLeod and Karl Fisch, <https://shifthappens.wikispaces.com/>

has fundamental implications for education, training, and lifelong learning. These are discussed in Commission Working Papers 5a and 5b.

- Generally, the **creative and cultural industries** (e.g. IT & computer services, advertising & marketing, music, performing & visual arts) are likely to play a stronger role in the UK economy in coming decades. There were over 2.6 million jobs in the UK's creative economy in 2013, with employment growing much faster than the UK workforce in recent years.²⁸ The sector employs highly-skilled workers that are less vulnerable to being displaced by technological change and is widely held to be more innovative and to enjoy faster productivity growth than other sectors.²⁹

A GROWING POPULATION WHICH IS BECOMING OLDER

7. If current trends continue, the UK could become Europe's most populous country by 2050 (overtaking France by 2030 and Germany by 2047).³⁰ However, the UK's population and the labour force are becoming older.³¹ Now, we are seeing the "baby boom" generation reaching state pension age and older people are participating in the labour market for longer. These trends will have significant implications for the UK economy:

- Population growth contributes to **stronger potential economic growth**; a rising population creating additional demand for jobs in consumer services (e.g. retail trade, food & drink, arts and recreational services, etc.) and services mainly provided by the public sector (education, health & social care).³² If population growth continues at a fast rate, it will be due to relatively high levels of net-migration,³³ with migration contributing to a steady supply of younger workers.
- Overall, the UK **workforce already comprises a higher proportion of older people** than in the past and this is likely to continue. People aged 65 and over in employment now number just over 1 million in the UK.³⁴ Continued increases in participation of over 65s will have a positive effect on economic growth.³⁵
- Finally, the elderly population will increase faster than the working-age population and **the UK will see a significant increase in age-related costs**.³⁶ The number of health and social care workers in the UK is set to increase by 446,000 between 2012 and 2022.³⁷ Residential and nursing home places will need to rise by around 150% over the next 50

²⁸ The number of jobs within the Creative Industries increased by 3.9% a year between 1997 and 2013, compared to 0.6% in the UK economy – source: DCMS (2015) Creative Industries Economic Estimates January 2015

²⁹ Nesta (2015) The geography of the UK's creative and hi-tech industries

³⁰ Eurostat (2015) Population Projections ([link](#))

³¹ According to the Office of National Statistics' national population projections (2014-based Statistical Bulletin):

- The UK population is projected to increase by 9.7 million (or 15.0%) over the next 25 years from an estimated 64.6 million in mid-2014 to 74.3 million in mid-2039.
- The continued ageing of the population is projected to shift the median age from 40.0 years in 2014, to 40.9 years in 2024, and to 42.9 years by 2039.
- During this time, the number of older people aged 75 and over is projected to rise by 89.3%, to 9.9 million by mid-2039, while the number of people aged 85 and over is projected to more than double, to reach 3.6 million by mid-2039.
- The number of people of pensionable age for every thousand people of working age (the "Old Age Dependency Ratio") will rise from 310 in 2014 to 370 in 2039.

³² Although there are also concerns that the link between population growth and economic growth in the UK has weakened in the last decade – see: Sheffield Political Economy Research Institute (SPERI) No. 7 – The relationship between economic growth and population growth

³³ According to the ONS: "of the 9.7 million projected increase in the population over the full projection period to mid-2039, 4.7 million (49%) is due to projected natural increase and 5.0 million (51%) is due to assumed net migration" ([link](#)). Although, there is considerable uncertainty around the scale of future net-migration, with a heightened risk of large-scale involuntary migration to Europe over the next decade according to the World Economic Forum - WEF (2015) The Global Risks Report 2016 11th Edition ([link](#))

³⁴ Department for Work and Pensions (2014) Older People's Day: 1 million in work over 65: 3 years since end of default retirement age

³⁵ Office for Budget Responsibility (2013) Fiscal sustainability report, July 2013

³⁶ ONS (2015) National population projections, 2014-based Statistical Bulletin ([link](#))

³⁷ UKCES (2014) Working Futures 2012-2022

years.³⁸ Whilst limits on public spending will be continue to be an ongoing challenge for local authorities, serving the needs of an older society will create opportunities for new products and services.

URBANIZATION AND THE GROWING IMPORTANCE OF MEDIUM SIZED CITIES

8. The world's urban population is set to rise from 3.8 to 6.3 billion between 2014 and 2050.³⁹ Forecasts suggest that the largest growth potential now sits in fast growing smaller cities, particularly those which range in population from 200,000 to 2 million.⁴⁰ As the UK specializes in more knowledge-based activities, the role of cities as knowledge hubs is also becoming important. Realizing the potential of mid-sized cities offers new possibilities to contribute to overall national economic growth:⁴¹
 - The economic contribution of, and potential of **'second tier cities'** – those outside a nation's capital – is often not fully recognized. The OECD argues that governments should do more to maximise their economic performance.⁴² The Centre for Cities adds that medium-sized cities are often the most innovative.⁴³
 - However, accommodating population growth and creating the conditions for economic prosperity will create **significant challenges for UK cities**. Infrastructure will have to be replaced and built to accommodate growth, an ageing population, climate change, and the integration of new technologies. At present, investment decisions to enable this growth are more centralized in the UK than in many other countries, but recent reforms have begun the process of devolving powers to cities and to combined authorities. The devolution of powers over business rates means that local authorities that attract significant private investment in economic activity will benefit.⁴⁴
 - In addition, there are untapped productivity gains to be made from improving **linkages between UK cities**, particularly to support supply-chains.⁴⁵ As cities increasingly compete beyond national borders, those that are better connected will be best placed to benefit.⁴⁶

SECURING INCLUSIVE ECONOMIC GROWTH IN CITIES

9. There is, however, increasing concern that disadvantaged groups and areas do not always benefit from economic growth. Evidence shows that growth in the form of additional national income or new jobs does not necessarily 'trickle down' to those most in need, including households experiencing poverty.⁴⁷ Rising inequalities, fragmented labour markets, and increasing living costs challenge the capacity of cities to grow inclusively – that is, to allow people both to contribute to

³⁸ Innovate UK (2015) The long-term care revolution national challenge

³⁹ UN (2014) World Urbanization Prospects

⁴⁰ Cities with populations between 200,000 and 2 million had 7% of global population in 2007, but are forecast to generate 19% of all global GDP growth through 2025 – see: McKinsey Global Institute (2011)

⁴¹ See, for example: Centre for Cities (2013) Mid-sized cities: Their role in England's economy

⁴² OECD (2011) Building Resilient Regions for Stronger Economies

⁴³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/477295/future-cities-universities.pdf

⁴⁴ For example, see: <http://www.publicfinance.co.uk/news/2015/10/moody%E2%80%99s-business-rate-devolution-will-drive-council-debt>

⁴⁵ Diane Coyle and Bridget Rosewell (2015) Investing in city regions: How does London interact with the UK system of cities and what are the implications of this relationship?

⁴⁶ The World Economic Forum notes successful post-industrial renewal cities such as Boston and Gothenburg 'stress education and connectedness in strongly linking their educational institutions to the wider city and the wider world'.

⁴⁷ Joseph Rowntree Foundation (2016) An inclusive growth monitor for measuring the relationship between poverty and growth

and share in rising prosperity.⁴⁸ Against a backdrop of muted economic growth and high inequality, there is a growing global interest in the promise of inclusive growth.⁴⁹

- Households living in metropolitan areas tend to earn more than those who do not.⁵⁰ But while income levels are higher in cities, so too are inequalities.⁵¹ Moreover, income inequality in cities has risen faster than overall income inequality in many OECD countries, due to skills' distribution and the capturing of income by top earners.
- In the UK, economic growth has tended to be more positively associated with poverty reduction in areas where it is driven by **employment**. Growth in high-skilled, high-paid jobs may not have immediate impacts for households in poverty unable to access employment, but is likely to generate 'knock-on' employment in associated business and personal services sectors (e.g. office or retail work).⁵² At the same time, rising levels of in-work poverty⁵³ mean that employment growth will not always benefit households in poverty even if members secure new jobs created (i.e. depending on the type of employment created).⁵⁴
- **Rising skills polarisation** is one of the core drivers of inequality in cities. Going forward, cities will need to be adept at attracting highly skilled talent – essential for fuelling productivity and innovation – as well as upgrading the skills, working conditions and opportunities for upward mobility of lower-skilled residents. This will require investing in the skills of young people and disadvantaged groups, as well as helping to upgrade the skills of existing workers.
- **Living costs** in cities play an important role in shaping the link between poverty and growth. Policy makers can reduce the knock-on effects of having a low income – in other words, making poverty matter less - through the affordable (and well targeted) provision of services like **housing and transport**.⁵⁵

THE EVOLVING STRUCTURE OF BUSINESSES AND CHANGING WORK ENVIRONMENTS

10. New technologies are leading to many innovations in the workplace and ways of working. Remote working, flexible hours, co-working spaces and teleconferencing are now common. Furthermore, in some sectors a “gig economy” is emerging with organisations having a much smaller pool of core employees, backed up by external contractors. This is evident in the proliferation of microbusinesses and the rise in self-employment. Some 4.5 million UK workers – about one in

⁴⁸ OECD / Ford Foundation (2016) Launch of the Inclusive Growth in Cities Campaign

⁴⁹ For example, the Royal Society of the Arts has just launched a Commission on Inclusive Growth to examine how these outcomes can be secured – see: <https://www.thersa.org/discover/publications-and-articles/reports/inclusive-growth-prospectus-for-inquiry>. The OECD has also launched an Inclusive Growth in Cities Campaign – see: <https://www.oecd.org/inclusive-growth/about/inclusive-cities-campaign/>

⁵⁰ On average, in OECD countries, the disposable income of urban households is 19% higher than that of households living outside metropolitan areas.

⁵¹ OECD / Ford Foundation (2016) Launch of the Inclusive Growth in Cities Campaign

⁵² Moretti suggests, for example, that high-tech, innovative sectors have the largest multiplier effects in generating five jobs for every one high-tech job – source: Joseph Rowntree Foundation (2016) An inclusive growth monitor for measuring the relationship between poverty and growth

⁵³ In the UK in 2013/14 more than half of people in poverty were in families where someone was in work – source: MacInnes et al. (2015) cited in Joseph Rowntree Foundation (2016) An inclusive growth monitor for measuring the relationship between poverty and growth

⁵⁴ Characteristics of work associated with in-work poverty include temporary or precarious work, part-timework and low hourly pay. Sector also matters with administrative and support services, wholesale and retail trade, accommodation and food services, and residential social care all more strongly associated with in-work poverty.

⁵⁵ For example, when it comes to transport, many cities have put specific mechanisms in place that aim to strike a balance between coverage, affordability and financial sustainability (e.g. targeted subsidies). In terms of housing, cities are facilitating the development of affordable housing in areas that are well served by public transport, working to reduce segregation, and increasing access to public amenities across all city neighbourhoods- source: OECD / Ford Foundation (2016) Launch of the Inclusive Growth in Cities Campaign

seven – are currently self-employed, the highest share on record.⁵⁶ Some of the implications of these trends are as follows:

- The 21st century economy requires **less employment space** – an office job has a smaller footprint than a factory job. More people are earning their living as “**micro-entrepreneurs**,” working from home, at co-working spaces or directly at the customer’s location rather than in a conventional office space. Moreover, in recent years, the UK is seeing a renaissance in city centres as the preferred locations for employment growth.⁵⁷ Manchester, Birmingham, Leeds, and Newcastle are well known examples but there are many others.
- Some analysts see the nature of the firm as being progressively defined by the **firm’s role as ‘network orchestrator’** as opposed to being defined by its product related core competences.⁵⁸ Firms are likely to be successful when they manage a network of partners that are integrated into the value creation process. There will be a continued rise in the number of small and micro firms, while many larger organizations will tend to stagnate or shrink. This all points to a growing demand for city centre locations where firms can cluster to work together.
- At the same time, the demand for city centre (and edge of city centre) living has increased considerably in recent years – the populations of the city centres of English and Welsh cities increased by 37% between 2001 and 2011.⁵⁹ This is particularly stark considering many city centres saw declining populations through the 1970s and 1980s. In the future, demand for **housing and employment will compete for space in city centres.**

USING NATURAL RESOURCES MORE EFFICIENTLY AND MITIGATING THE IMPACTS OF CLIMATE CHANGE

11. Global economic growth will continue to drive increases in demand for natural resources and for the production of energy. However, now the global recognition of the challenges of mitigating climate is driving investment in research, development and innovation in processes that lead to more efficient use of natural resources, the generation of renewable energy, the more efficient use of energy and how best to reduce and recycle waste. Some of the implications of this include:

- **Resource scarcity and higher costs for energy and waste treatment is now stimulating the emergence of the “circular economy”** and this will accelerate. This entails companies moving from linear value chain (with little value attributed to materials after a product reaches the end of its useful life) to a circular model, in which the reuse and recycling of already available resources creates considerable value. In the UK this could help generate some 50,000 new jobs and boost GDP by £3bn.⁶⁰
- The **waste and resources industry** has a key role to play in the transition to a more circular economy. It is the means through which materials and energy can be returned into other productive parts of the economy. For example, by providing raw materials

⁵⁶ ONS (2015) Self-employed workers in the UK - 2014

⁵⁷ Centre for Cities research finds that ‘new work’ SMEs tend to be in cities with relatively more jobs in the city centre; the creative industries, in particular, concentrate in densely populated city centres – source: Centre for Cities (2015) Small Business Outlook 2015

⁵⁸ UKCES (2014) Trends and Disruptions: Full report

⁵⁹ Centre for Cities (2015) Urban Demographics

⁶⁰ Environmental Services Association (2013) Going For Growth. A Practical Route to a Circular Economy

into the (re)manufacturing process (reducing the need to import material from overseas), or offering a recycling infrastructure to the retail sector.⁶¹

- The **renewable energies** sector promises considerable future growth in manufacturing, and installation and maintenance services. This will lead to the creation of new jobs in many sectors.⁶² The renewables sector in the UK alone employs 460,000 people and according to Sir David King, the UK Foreign Secretary's Special Representative for Climate Change, in his speech at the COP21 climate conference in Paris in December 2015, "it is the fastest growing sector in the British economy, and it is growing exponentially."⁶³
- The move to a circular economy will create **new jobs in a very wide range of occupations** in many sectors of the economy – design, manufacturing, logistics and retailing – as well as a wide range of waste recycling activities. Moreover, the introduction of 'smart cities' systems – homes, factories, grids or entire cities – will also be part of the move to secure the more efficient use of energy and resources generally.

12. Some of the opportunities arising from the global move to a low carbon economy are considered in more detail in the Commission Working Paper 17: Milton Keynes: A Low Carbon City.

13. Before considering the implications of these trends for the future economic development of Milton Keynes, it is helpful to review the strengths and weaknesses of the Milton Keynes economy today.

THE ROLE OF MILTON KEYNES IN THE UK ECONOMY

14. Milton Keynes is an economic success. Following its designation as a new town in 1967, the resident population almost doubled in a decade (from 67,000 in 1971 to 123,300 in 1981), growing to 255,700 by 2013.⁶⁴ **Across this period (1981-2013), Milton Keynes was the fastest growing economy in the UK, both in terms of employment and output (GVA).**⁶⁵

15. Moreover, this strong growth performance has continued in the last decade – even during the recession. From 2004-2013 Milton Keynes has seen:

- the resident population increase by 36,200 or 16% – **the fastest rate of growth of any UK city over this period;**
- total employment (jobs) increase by 24,400 or 18% - **again the largest net increase in jobs for any UK city in percentage terms**, with 16,400 of these jobs in the private sector; and
- total **GVA increase by £3.3 billion** or an annual average rate of 4.5% compared to 3.8% nationally (in current basic prices, i.e. not accounting for inflation).⁶⁶

MILTON KEYNES TODAY

16. In 2014, the MK economy comprised about 161,700 jobs and around 11,000 active enterprises.⁶⁷ This includes all VAT registered companies. MK is home to global businesses, including the UK headquarters for several prominent hi-tech companies (e.g. Volkswagen-Audi, Mercedes Benz,

⁶¹ Environmental Services Association (2013) Going For Growth. A Practical Route to a Circular Economy

⁶² UKCES (2014) Trends and Disruptions: Full report

⁶³ <http://sputniknews.com/europe/20151208/1031422760/uk-carbon.html>

⁶⁴ ONS (2016) Mid-year Population estimates

⁶⁵ Cambridge Econometrics (2016) The Economic Prospects of Milton Keynes to 2050

⁶⁶ ONS (2015) Regional Gross Value Added (Income Approach), 1997 to 2014

⁶⁷ ONS (2015) Business Register and Employment Survey and Business Counts

Suzuki and Red Bull Racing), as well as leading financial firms (e.g. Mazars, Santander).⁶⁸ In terms of its contribution to the UK economy, the local economy produces £10.3 billion a year in output (GVA).⁶⁹ This is significantly larger than comparable towns in the sub-region such as Bedford and Luton.⁷⁰ Moreover, forecasts for 2016 suggest that Milton Keynes will be the **second fastest growing city in the UK in 2016** (in terms of GVA).⁷¹

17. This strong output reflects the high rate of productivity in the local economy. In 2013, MK produced Gross Value Added (GVA) per filled job of over £59,800 per year, giving it one of the **most productive workforces in the country**.⁷² GVA per job is stronger than in any of the Core Cities, as well as places like Buckinghamshire, Oxfordshire and Outer London as a whole. On this measure, only parts of London and Berkshire can boast a better performance. Reflecting its high productivity, MK generates around twice as much in taxes as is paid out in Government expenditure.⁷³

COMPETITIVE LOCATION

18. The city benefits from its **strategic location as part of the ‘London mega-city region’ and at the centre of the UK’s innovation heartland**⁷⁴ almost midway between Oxford and Cambridge and London and Birmingham. Milton Keynes is on the West Coast mainline (and the principal station before London from the North). Significant investments are planned to improve rail and road access to Oxford and Cambridge. Luton Airport is a 30-minute journey by road and London Heathrow Airport is just over an hour away. This makes for an attractive location for both commuters and any businesses with interests in the London and UK markets as a whole. Indeed, MK was recently named the **best place to do business in England**.⁷⁵
19. Going forward, there is significant potential for it to gain from beneficial spillover effects from surrounding areas. This could be a result of productive firms in London, Oxford or Cambridge deciding to re-locate to Milton Keynes to benefit from lower cost premises and lower wages.⁷⁶ Alternatively, local businesses could benefit from ‘knowledge spillovers’ if they are able to absorb new ideas and knowledge produced in creative and high-tech industries based nearby (e.g. as workers move jobs, or from business-to-business transactions).⁷⁷

ECONOMIC STRUCTURE – HIGH PROPORTION OF KNOWLEDGE INTENSIVE JOBS

20. With this strategic location, MK developed a large, diverse and highly competitive economy. The total of 161,700 jobs in the city in 2014, represented an increase of some 19,200 jobs or 13% growth since 2009.⁷⁸ The vast majority of employees work in the private sector: for every public

⁶⁸ Regeneris (2015) Milton Keynes - Local Economic Assessment 2015 (draft)

⁶⁹ ONS (2015) Regional Gross Value Added (Income Approach), 1997 to 2014

⁷⁰ ONS (2015) Regional Gross Value Added (Income Approach), 1997 to 2014

⁷¹ Irwin Mitchell / Centre for Economic and Business Research (2016) UK Powerhouse report – see [link](#).

⁷² ONS (2015) Subregional Productivity, February 2015

⁷³ Centre for Cities (2016) Fast Growth Cities - the opportunities and challenges ahead

⁷⁴ Many of the UK’s innovative firms are based around a cluster of areas along the M4 corridor – BIS (2015) Local Enterprise Partnerships: evidence on local innovation strengths

⁷⁵ Local Futures in partnership with The MJ, see [link](#)

⁷⁶ Cambridge Econometrics (2016) The Economic Prospects of Milton Keynes to 2050

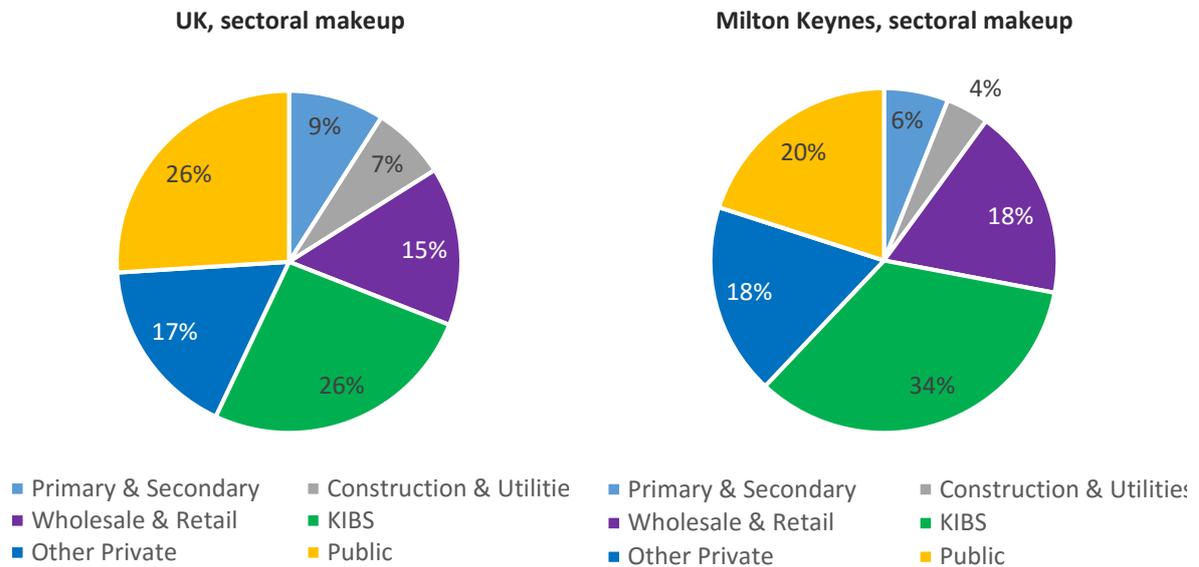
⁷⁷ NESTA (2015) The geography of the UK’s creative and hi-tech economies / NESTA (2008) Creating Innovation Do the creative industries support innovation in the wider economy?

⁷⁸ ONS (2015) Business Register and Employment Survey

sector employee in Milton Keynes in 2014, there are 4 jobs in the private sector- a higher ratio than for London.⁷⁹

21. Milton Keynes benefits from a relatively broad industrial base, with a wide variety of activities represented in the local economy, as shown in **Figure 1**.

Figure 1: Comparison of Milton Keynes and UK sectoral composition by employment (2015)



Source: Cambridge Econometrics (2016)

22. Looking more closely at individual sectors, the largest employment sectors are currently in **retail and education**, while there are concentrations of jobs in **warehousing & transport, computer programming, consultancy, and financial services**.⁸⁰ There is also significant employment in the **arts, entertainment and leisure sector**. This diversity means that the MK economy is more resilient than most and provides opportunities for innovation across industries.⁸¹

23. At the same time, the city gains from its lack of an industrial legacy. This has allowed Milton Keynes to focus on attracting and supporting growth in **higher value, more knowledge based activities** as they have emerged.⁸² Indeed, there is evidence that the local economy has become more specialised in recent years. As highlighted above, over a third (34%) of employment is based in the knowledge intensive business sector, compared to just over a quarter for the UK as a whole.⁸³ This includes an above average presence in ‘new economy’ activities like creative industries, knowledge services, and science & technology – and these sectors have all shown considerable growth in recent years⁸⁴, a point also highlighted in Cambridge Econometrics’ report for the

⁷⁹ Centre for Cities (2016) Cities Outlook 2016

⁸⁰ Regeneris (2015) Milton Keynes - Local Economic Assessment 2015 (draft)

⁸¹ For example see: UK Government, Foresight Future of Cities (2014) The evolving economic performance of UK cities: city growth patterns 1981-2011

⁸² Centre for Cities (2015) A century of cities

⁸³ Cambridge Econometrics (2016) The Economic Prospects of Milton Keynes to 2050

⁸⁴ From 2009-2014, the number of employees working in the creative industries in Milton Keynes increased by 1,500 (or 21%); by 1,500 (12%) in knowledge-based services; and, by 2,500 (8%) in science & technology - source: Regeneris (2015) Milton Keynes Local Economic Assessment 2015 (draft)

Commission.⁸⁵ Milton Keynes city centre is particularly attractive for knowledge-based jobs.⁸⁶ (Although, it is worth noting that CMK has the lowest employment density of any city centre in country.)⁸⁷

BUSINESS GROWTH AND ENTREPRENEURSHIP

24. High levels of productivity are also underpinned by Milton Keynes' **dynamic and entrepreneurial business base**. The number of businesses in Milton Keynes has increased by 1,700 or 16% over the last five years, with particularly strong in the professional services and ICT sectors.⁸⁸ In total, there were around 11,000 enterprises active in the area in 2014 – the fourth highest density of businesses of any UK city.⁸⁹ Many of these companies are concentrated in the city centre, benefiting from strong rail links and agglomeration effects. Milton Keynes also has the third highest business start-up rate of any UK city.⁹⁰ With the rate of new starts rising year-on-year since 2009, there is considerable potential for further growth.⁹¹

PRO-GROWTH POLICIES

25. Unlike many other cities in the south-east of England Milton Keynes' economic success directly flows from a **pro-growth attitude from the local authority**. From 2004-2014 MK's total housing stock increased by 16,400 or 18% - the highest rate of growth for any local authority outside of London.⁹² As a result, average house prices are lower than in most of south-east of England. (In 2004, the average house in Milton Keynes was worth 7 times average earnings; by 2014 it has risen to just 8 times the average wage, despite the city's ongoing economic success. By comparison, the average house in Cambridge now costs 15 times average earnings, and 16 times in places like London and Oxford.⁹³) As other communities become even more expensive, if MK continues to promote growth, it will continue to build a stronger labour force.

POTENTIAL WEAKNESSES

26. At the same time, there are also several potential weaknesses that could undermine the city's growth prospects. These include:
- **A low proportion of 20-29 year olds:** Between 2004 and 2014, the number of residents aged 20-29 only increased slightly, from under 30,000 in 2004 to a little more than 31,000 in 2014. As a result, this age group's share of the population fell from 14% to 12%.⁹⁴ This suggests the possibility that Milton Keynes may be struggling to attract the kinds of young graduates and professionals often required by knowledge intensive businesses.⁹⁵ Moreover, as MK's population ages, additional flows of new, younger households will be required to maintain a strong, vibrant workforce.

⁸⁵ "Milton Keynes's specialisations in Information and Communication, other private services, and in Finance and Insurance are growing in significance" – source: Cambridge Econometrics (2016) The Economic Prospects of Milton Keynes to 2050 - see **Figures 1.4 and 1.5** (pages 9-10)

⁸⁶ A quarter of all private sector jobs were located in the city centre in 2011, including almost a half of all KIBS jobs in the city - source: Centre for Cities (2013) Beyond the High Street: September 2013

⁸⁷ Centre for Cities (2013) Beyond the High Street: September 2013

⁸⁸ ONS (2015) Business Counts

⁸⁹ ONS (2015) Business Demography / Centre for Cities (2016) City Outlook 2016

⁹⁰ Centre for Cities (2016) City Outlook 2016. According to the ONS, new business start-ups made up over 16% of active enterprises in 2014.

⁹¹ Regeneris (2015) Milton Keynes - Local Economic Assessment 2015 (draft)

⁹² Regeneris (2015) Milton Keynes - Local Economic Assessment 2015 (draft)

⁹³ Centre for Cities (2015) City Outlook 2015

⁹⁴ Regeneris (2015) Milton Keynes - Local Economic Assessment 2015 (draft)

⁹⁵ Cambridge Econometrics (2016) The Economic Prospects of Milton Keynes to 2050

- **Resident skills levels lower than regional and national profile:** Although the skills profile of MK Borough’s workforce is similar to the national profile, the residents of the city itself are less skilled particularly by comparison with the South East. For example, in 2014, only 35% of residents aged 16-64 had higher level qualifications in 2014, compared to 36% nationally and 39% in the wider South East.⁹⁶ At the same time, a relatively high share of employed residents in Milton Keynes (12%) are in elementary administrative & service occupations.⁹⁷ Thus, the city has a deficit of high skilled workers and a surplus of low skilled workers.⁹⁸ This skills deficit is discussed in Commission Working Papers 5a and 5b.
- **Below average spending power.** The ONS estimates that the residential income for MK’s 260,000 residents, measured as Gross Disposable Household Income (GDHI) was over £4.5 billion (in 2013). The ONS calculates that this equates to £17,700 per resident. This puts household income in Milton Keynes closely in line with the UK average, but below that for South East England.⁹⁹ At the same time, it is worth noting that Milton Keynes was recently identified as a ‘high wage, low welfare’ economy by the Centre for Cities, reflecting the city’s above average wages and below average levels of welfare-per-capita.¹⁰⁰
- **Rising (relative) deprivation levels.** Milton Keynes was ranked 181st out of 326 local authorities in the 2015 Indices of Multiple Deprivation, compared to 211th in 2010 and 212th in 2007 (where 1 is the most deprived).¹⁰¹ MK now has 9 lower super output areas that are in the 10% most deprived in England, compared to 7 in 2010, 6 in 2007, and 5 in 2004. Thus, rising economic growth in recent years has not been sufficient for reductions in economic deprivation at the neighbourhood level.
- **High proportion of jobs in Retail, Wholesale, Logistics and Motor Trades.** Milton Keynes has a strong degree of specialisation in wholesale and retail (including motor vehicle repair). While this has slightly decreased over the past decade, it remains the largest sector locally, with around 29,600 jobs – or just under a fifth of employee jobs.¹⁰² Looking forward, the sector faces a number of challenges related to increasing productivity, technological changes and innovation affecting retail behaviour.¹⁰³
- **Severe Shortage of Employment Land for Warehouses and Likely Shortages in CMK Post 2026/31.** The Economic Growth and Employment Land Study shows an urgent need for additional land within the M1 corridor to meet demand for logistics occupiers, with the shortfall of land for logistics use estimated at around 49 hectares.¹⁰⁴ The picture for office based employment is more positive. Yet many existing offices do not meet the requirements of modern occupiers; there will be an ongoing need for more Grade A office floorspace to maintain and grow the centre’s position as a regional office location. New and flexible office stock is considered “a must” if businesses are to be attracted to the CMK area.¹⁰⁵

⁹⁶ ONS (2015) Annual Population Survey

⁹⁷ This includes a range of entry-level jobs in administration (office assistants, postal workers), cleaning, security (guards, parking enforcement), sales (shelf-fillers), and basic services (bar staff, kitchen porters, waiters etc.).

⁹⁸ Cambridge Econometrics (2016) The Economic Prospects of Milton Keynes to 2050

⁹⁹ Regeneris (2015) Milton Keynes - Local Economic Assessment 2015 (draft)

¹⁰⁰ Centre for Cities (2016) Cities Outlook 2016

¹⁰¹ Milton Keynes intelligence Observatory (2016) Index of Multiple Deprivation – see:

<http://www.mkiobservatory.org.uk/page.aspx?id=1912&siteID=1026>

¹⁰² Regeneris (2015) Milton Keynes - Local Economic Assessment 2015 (draft)

¹⁰³ UKCES (2014) Understanding Skills and Performance Challenges in the Wholesale and Retail Sector

¹⁰⁴ GVA (2015) Milton Keynes Council and Milton Keynes Development Partnership Employment Land Review and Economic Growth Study - Phase 2 – Delivery Strategy: Final Report

¹⁰⁵ GVA (2015) Milton Keynes Council and Milton Keynes Development Partnership Employment Land Review and Economic Growth

- **Increased pressure on transport infrastructure, resulting in congestion.** People commute into Milton Keynes from many different communities with an average distance travelled to work of 40km. However, while the city is well connected by road and rail, strong population growth has led to increased congestion and this expected to increase further. Current infrastructure developments can only accommodate around a quarter of the projected increase.¹⁰⁶ Historically, low congestion and fast commuting times have been a key attraction for both residents and businesses. Many businesses depend on in-commuters to meet their needs for high skilled workers.¹⁰⁷

THE RATE AND SCALE OF ECONOMIC GROWTH TO 2026 AND TO 2050

27. MK Council has a strong commitment to plan for the growth of MK for the next decade. The approved Core Strategy proposes that 28,000 homes will be built between 2010 and 2026 (1,750 per annum)¹⁰⁸ but only around 7,400 of these have been built to the end of December 2015. To achieve the Core Strategy target requires completions to average some 2000 homes per annum each year to 2026. (See Commission Working Paper 2: Housing.) Similarly, the Core Strategy makes provision for some 42,000 additional jobs to 2026.¹⁰⁹ As noted above, with the exception of a shortage of large sites for new warehouses, sufficient land is available to accommodate this growth.
28. Going forward to 2050, however, there is considerable uncertainty about the rate and scale of MK's housing and economic growth. The Topic Papers prepared as part of the Plan MK process, and the Plan: MK Strategic Development Directions Consultation (January 2016) indicates that between 2026 and 2031, it is "likely that Milton Keynes will continue to need to deliver at least 1,750 dwellings per annum..." but makes no mention of any forecast employment growth.¹¹⁰ The Employment Land Review and Economic Growth Study, however, suggests that from 2011-2031, there would be expected total employment growth of 38,600-47,000 jobs in the Borough as a whole.¹¹¹
29. On behalf of the Commission, Cambridge Econometrics also prepared a forecast of job growth requirements to 2050. Their draft report shows that on the basis that the rate of housing development continues at 1,750 homes every year 2027-2050 ("continued expansion"), 25,000 additional jobs would be required by 2041. Under a scenario where house building is increased to 2,625 dwelling per year from 2027-50 ("accelerated expansion"), the additional jobs required total would rise to 35,000.¹¹² These draft estimates reflect a challenging change in demographics in the medium- and long-term, with a significant increase in residents of pensionable age allied to slow growth in the working age population. In these scenarios, around a fifth of the increase in jobs would come from responding to the additional demand generated by the increase in population.

Study - Phase 2 – Delivery Strategy: Final Report

¹⁰⁶ Centre for Cities (2016) Fast Growth Cities - the opportunities and challenges ahead

¹⁰⁷ Centre for Cities (2016) Fast Growth Cities - the opportunities and challenges ahead

¹⁰⁸ Milton Keynes Council - Milton Keynes Core Strategy: Adopted July 2013

¹⁰⁹ Milton Keynes Council - Milton Keynes Core Strategy: Adopted July 2013

¹¹⁰ Plan:MK (2014) Topic Paper - Employment and Economic Growth / (2016) Strategic Development Directions Consultation Document, Jan - April 2016

¹¹¹ GVA (2015) Milton Keynes Council and Milton Keynes Development Partnership Employment Land Review and Economic Growth - Study Phase 1

¹¹² Assuming constant activities rates, employment rates and net commuting rates – source: Cambridge Econometrics (2016) The Economic Prospects of Milton Keynes to 2050. Under a scenario where house building is increased to 2,625 dwelling per year from 2027-50 ("accelerated expansion"), 35,000 additional jobs would be required.

The other 80% of jobs would need to be provided by existing MK companies expanding, new companies setting up in MK, and/or companies moving to MK from elsewhere.

HOW MK CAN REMAIN PROSPEROUS AND CONTINUE TO PLAY A KEY ROLE IN THE UK ECONOMY TO 2050

30. In formulating alternative visions for the future of MK, and a preferred vision, the Commissioners need to consider these wider global trends for the UK economy, MK's strengths, MK's potential weaknesses, and the forecast job requirements. Essentially, from an economic perspective, the Commissioners need to address (at least) three questions:

- building on the outstanding success of MK so far, is it **possible** to continue promoting the ongoing economic growth of MK through to 2050?
- even if it is possible to continue promoting economic growth, is it **in the best interests of the citizens of MK** to do so?
- **if** it is in the best interests of the citizens of MK to promote growth, **how** could this be done?

31. Taking each of these questions in turn.....

BUILDING ON THE OUTSTANDING SUCCESS OF MK SO FAR, IS IT POSSIBLE TO CONTINUE PROMOTING THE ONGOING ECONOMIC GROWTH OF MK THROUGH TO 2050?

32. In broad terms, yes it would be possible to continue to promote the expansion of the MK economy through to 2050. This of course, depends on the ongoing growth of the UK economy – and MK contributing to this growth. In very broad, terms, however, the overview of key economic drivers set out above, suggests that MK could be well placed to do this, if it wants to.

33. As noted above, the growth potential of an increasing proportion of UK firms lies in **knowledge intensive business services**. A growing number of job opportunities are anticipated in high skilled non-routine jobs. This trend will be closely linked to developments in globalisation and internationally traded services, the adoption of technological innovation, and the need for solutions to new or increased social needs (e.g. population ageing). Changes in technology are also expected to drive demand and the development of new business models in the **creative and digital sectors** and in their application throughout the economy. Although London is stronger, of course, MK is well placed to harness all these growth drivers.

34. Similar the **forecast growth in the UK population** to 2050 points towards stronger potential economic growth and MK is well placed to contribute to this growth both in the city itself and in the sub-region. A growing population creates additional demand for jobs in **consumer services** (e.g. entertainment and leisure services, as well as retail, food and drink), as well as most public sector services. In particular, there will be an increase in the number of jobs in **health and social care** due to demographic factors (ageing population) and opportunities that will emerge with investment in medical research and innovation.

35. Furthermore, the growing global commitment to addressing the challenges of **climate change** will lead to increased demand for **environmental industries**, particularly as the regulatory framework becomes more stringent. The jobs will be created in the waste and resources industry, design, manufacturing, retailing and consumption as well as logistics. MK is again well placed to contribute to this growth.

36. More generally, UK cities, particularly those outside London will play a key role in driving the UK's economic growth. As HM Treasury advised in their 2015 Productivity Plan:
37. "A dynamic economy needs thriving cities that can expand and adapt to meet the challenges of the 21st century."¹¹³
38. As the fastest growing UK city over the last thirty years, both in terms of employment and economic output, and with labour productivity already well above the national average, MK has a central role to play in strengthening and expanding the UK economy. Based on historic performance, MK is well placed to achieve the rate and scale of economic growth forecast by Cambridge Econometrics. However, it can only do this if MK concludes that it is in the interest of her citizens to continue to "go for growth," and makes the plans and investments necessary to enable this growth.

EVEN IF IT IS POSSIBLE TO CONTINUE PROMOTING ECONOMIC GROWTH, IS IT IN THE BEST INTERESTS OF THE CITIZENS OF MK TO DO SO?

39. In broad terms, MK's citizens – through MK Council – face a stark choice from 2026 (or 2031) onwards. There are at least three options and it is conceivable that each could be seen as a sensible way forward.
40. One option – say the "**Enough is Enough**" option – would be to conclude that the MK economy is strong, and is likely to remain so. Thus, there would be no need to promote the expansion of the MK economy and, thus no need to expand MK to realize this further growth. Essentially, this would mean MK Council being confident that the city's economy is sufficiently resilient to offer a wide range of job opportunities for all, particularly for young people, to 2050. MK Council would also be confident that the business rateable base is sufficiently strong enough to generate enough local income (along with the domestic rateable base) to meet the needs of the city's population going forward.
41. A second option would be to conclude that the MK **economy should be expanded but within the existing built up area of the city**. Essentially, this would mean that MK Council is confident that there is sufficient "flex" and capacity in the city's employment areas to attract investment to create new jobs. These new jobs would both replace lost jobs as firms close or move and the structure of the economy changes and meet the future needs of the city's growing population. It would also mean that the growth of the city's business rateable base would be limited to that from real increases in the value of the established employment areas resulting from more intense use. In so doing, MK would be sustaining prosperity in a way which most UK new towns, and many provincial cities, have failed to do. Also, of course, if the MK economy continued to grow, but the housing stock did not, net in-commuting to jobs in MK would certainly increase with the consequent pressures on the road network.
42. A third option would be to continue to promote **MK's economic growth as part of the overall expansion of the city**. Were MK Council to promote such a strategy it would be doing so because it is confident that this is the best way of building a resilient economy to provide job opportunities for all those now living in MK – both young and old. It would adopt such an approach because it is the best way of strengthening the city's business (and domestic) tax base to generate income to provide public services to meet the city's needs. It would do so because it felt it was the best

¹¹³ HM Treasury (2015) Fixing the foundations: Creating a more prosperous nation

way to provide better education for the city's young people, and provide lifelong skills training for all – including attracting investment to create a university.

43. In economic terms, this approach would be based on an agreement with Government that MK is likely to make significant contributions to the economic growth of the UK to 2050 – just as it has done over the past 45 years. This approach would also be based on a recognition that if MK does not provide for economic growth, there is a significant risk that other local authorities in the sub-region will capture the jobs, and increased rateable value, that otherwise MK could create.
44. In recommending a preferred vision for the future of MK, the Commissioners may wish to consider which of these approaches to the economic growth of the city makes the most sense.

IF IT IS IN THE BEST INTERESTS OF THE CITIZENS OF MK TO PROMOTE ONGOING GROWTH, HOW COULD THIS BE DONE?

45. As the citizens of MK – and MK Council – have not yet decided to promote growth by promoting the expansion of MK to 2050, it is premature to go too far in considering how to do this. However, it is possible to identify several elements which are likely to be part of future efforts to promote economic growth.
46. First, in light of the trends identified above, MK must do “whatever it takes” to **retain and attract higher skilled jobs** in the growth sectors of the future. (For example, professional, scientific and technical services, financial services, and the creative industries – sectors in which MK already has some strengths.) To support future growth in these sectors, there is an ever-increasing need for workers and entrepreneurs to offer higher and higher skills levels. “Whatever it takes” will include **educational attainments and adult training outcomes** that are globally competitive. Efforts to improve school performance, support new routes into work (including vocational routes), and deliver opportunities for retraining for residents whose occupations may be under threat will be central.¹¹⁴
47. In parallel, it will be essential to attract investment to create at least one **strong residential university**. Many graduates stay on in their university city and look for high skilled jobs. Although the Open University is in MK and Cranfield and the University of Buckingham are nearby, there is not currently a significant undergraduate presence in the city. With rising skills demands in the next decade,¹¹⁵ Milton Keynes risks missing out on the annual influx of high skilled labour that many other similar sized cities experience. In addition, the RSA City Growth Commission has also stressed the vital role universities have on innovation, job creation and investment for local economies.¹¹⁶ The secondary and higher education opportunities in MK are discussed further in Commission Working Papers 5a and 5b.
48. Second, promoting economic growth through to 2050 will entail envisaging **Central Milton Keynes** as an even stronger retail, leisure, cultural and office location. CMK is the city's best offer for all types of knowledge-intensive businesses. There is sufficient capacity in CMK to accommodate the

¹¹⁴ For example, see: <https://www.gov.uk/government/news/technical-and-professional-education-revolution-continues>

¹¹⁵ By 2022 alone, almost half (47%) of all jobs in the SEMLEP area will require an associate's degree or higher, according to the UK Commission for Employment and Skills – source: UKCES (2014) Working Futures

¹¹⁶ “Universities have played a key role in transitioning the UK to a knowledge economy through training graduates in advanced skills, and through research that leads to industrial innovation. In leading the UK economy to succeed in global competition for knowledge intensive industries, universities are a vital competitive advantage for metro economies.” – source RSA (2014) Unleashing Metro Growth: Final Recommendations

forecast employment growth to 2026.¹¹⁷ Further job growth to 2050 will require planning policies which encourage redevelopment of key parcels in the city centre and accord priority to employment rather than housing. In due course, it will be necessary to review many of the policies in the CMK Business Neighbourhood Plan in order to continue to promote CMK as a stronger regional employment centre.

49. Third, for MK's economic growth to continue to 2050, it will be necessary to allocate **additional land, particularly large sites, for industrial and warehouse** developments. Of course, there will be some scope for the redevelopment of existing employment areas throughout the city. However, this will not provide the large sites which are attractive to inward investors. If MK does not allocate further sites, it will lose significant opportunities to create additional jobs, and additional rateable value.
50. Finally, it will be necessary to make the **city attractive for young, skilled people to live and work**. Milton Keynes is competing with other UK cities and increasingly globally to attract and retain investment and high-skilled talent. However, it does not currently have a strong reputation amongst young Britons as being a particularly attractive place to live.¹¹⁸ Making the city more attractive to young skilled workers¹¹⁹, will include measures to promote a high-quality retail, leisure and cultural offer, as well as investments in public transport (including cycling facilities).¹²⁰ Developing a residential university in CMK would, in itself, make it more attractive to younger households.¹²¹
51. At the same time, without **inclusivity**, economic growth will not automatically benefit residents.¹²² While we know that economic growth tends to be more positively associated with poverty reduction in areas where it is driven by employment, high levels of in-work poverty¹²³ mean that employment growth will not always benefit households in poverty even if members secure new jobs created. Human capital (in terms of workforce skills), the cost of living (particularly housing and transport costs), and job quality are key mediating factors in the relationship between economic growth and poverty.¹²⁴
52. In building their preferred vision, the Commissioners may wish to consider these and other factors which would strengthen MK's capability to promote inclusive economic growth through to 2050.

¹¹⁷ Plan:MK (2014) Topic Paper - Employment and Economic Growth

¹¹⁸ Francis Tibbalds, president of the Royal Town Planning Institute, described the centre of Milton Keynes as "bland, rigid, sterile, and totally boring". Source: Cambridge Econometrics (2016) The Economic Prospects of Milton Keynes to 2050

¹¹⁹ Where people choose to live is largely determined by their stage of life. Young people aged between 25 and 34 prioritise proximity to the workplace, cost of housing, and access to leisure and cultural facilities when choosing where to live – see: Centre for Cities (2015) Urban demographics

¹²⁰ In other 'innovation districts', public places are created or re-configured to be digitally-accessible and to encourage networking; and, new forms of housing are emerging, including smaller private flats that have access to larger public spaces, such as co-working areas, entertainment spaces and common eating areas – see: Bruce Katz and Julie Wagner (2014) The Rise of Innovation Districts: A New Geography of Innovation in America

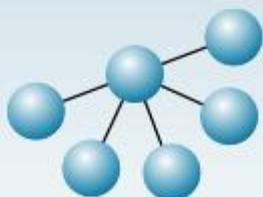
¹²¹ Centre for Cities (2015) Urban demographics

¹²² According to the OECD, "Inclusive Growth is economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society" - see:

<http://www.oecd.org/inclusive-growth/>

¹²³ In the UK in 2013/14 more than half of people in poverty were in families where someone was in work.

¹²⁴ Joseph Rowntree Foundation (2016) An inclusive growth monitor for measuring the relationship between poverty and growth



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