

**Written statement of a key decision**  
**Cabinet member corporate strategy and budget**

<b>Title</b>	<b>Enterprise Zone Capital Interventions Phase 5</b>
Decision maker	Cabinet member corporate strategy and budget Information about cabinet, including the names and contact details of the cabinet members, can be found here: <a href="http://councillors.herefordshire.gov.uk/mgCommitteeDetails.aspx?ID=251">http://councillors.herefordshire.gov.uk/mgCommitteeDetails.aspx?ID=251</a>
Date of decision	8 August 2019
Report exemption class	Open
Reason for being a key decision	This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.
A notice was served in accordance with Part 3 (Key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.	
General exception or special urgency (as defined in the constitution)	No
Purpose	<p>To develop further the Hereford Enterprise Zone (HEZ), establishing the critical infrastructure or site remediation required to bring remaining plots into economic use, Cabinet member approval is sought for the next phase of capital expenditure (£5.231m) at the HEZ drawing down the remaining finance from within the approved £16m capital programme.</p> <p>The HEZ is critical to the economic success of the City and wider county, enabling businesses to grow and creating new jobs and investment in the economy. The development of a Cyber Security Centre and business incubation space will enable the county to establish a foot hold in new emerging markets, generating longer term, higher value employment opportunities.</p> <p>Previous expenditure has been incurred in demolitions, site clearance, land remediation, ground raising (for flood mitigation) and infrastructure including access roads, cycleways, and all utilities at the right capacity and to enable easy connections at a plot level, including an ultrafast broadband network.</p>

	<p>Previous approvals have not been fully spent so there is a need to close down these approvals and re-profile any remaining expenditure into this decision. The remaining funds are required to provide the time critical infrastructure and / or clear sites to enable the plots to be developed out.</p> <p>To date the HEZ has secured 20 land sales, £48m of investment and a predicted 842 new jobs will be created.</p>														
<p><b>Decision</b></p>	<p><b>That:</b></p> <p><b>(a) £5.231m from the enterprise zone capital programme provision be allocated to the following infrastructure interventions at the Hereford enterprise zone:</b></p> <table border="1" data-bbox="663 712 1433 1375"> <thead> <tr> <th data-bbox="663 712 1232 808">Infrastructure Interventions</th> <th data-bbox="1232 712 1433 808">Allocation (£000's)</th> </tr> </thead> <tbody> <tr> <td data-bbox="663 808 1232 904">Spoil Heap removal, movement and ground raising Phase 2 delivery.</td> <td data-bbox="1232 808 1433 904">2,100</td> </tr> <tr> <td data-bbox="663 904 1232 1010">Utilities commissioning, installation and movement – gas, electricity, foul and potable water, SUD's, broadband.</td> <td data-bbox="1232 904 1433 1010">600</td> </tr> <tr> <td data-bbox="663 1010 1232 1115">Plot specific works including investigation, preparation and readiness for sale and construction.</td> <td data-bbox="1232 1010 1433 1115">750</td> </tr> <tr> <td data-bbox="663 1115 1232 1211">Access improvements, roads, cycleways, sustainable transport infrastructure.</td> <td data-bbox="1232 1115 1433 1211">1,300</td> </tr> <tr> <td data-bbox="663 1211 1232 1317">Estate wide management, maintenance and improvement works including signage, landscape and drainage.</td> <td data-bbox="1232 1211 1433 1317">481</td> </tr> <tr> <td data-bbox="663 1317 1232 1375"><b>TOTAL</b></td> <td data-bbox="1232 1317 1433 1375"><b>5,231</b></td> </tr> </tbody> </table> <p><b>(b) the acting Director for Economy and Place be authorised to implement the above interventions, including the procurement and commissioning of works packages of over £500k;</b></p> <p><b>(c) the total capital allocation of £16m for the EZ development be funded from existing capital receipts.</b></p>	Infrastructure Interventions	Allocation (£000's)	Spoil Heap removal, movement and ground raising Phase 2 delivery.	2,100	Utilities commissioning, installation and movement – gas, electricity, foul and potable water, SUD's, broadband.	600	Plot specific works including investigation, preparation and readiness for sale and construction.	750	Access improvements, roads, cycleways, sustainable transport infrastructure.	1,300	Estate wide management, maintenance and improvement works including signage, landscape and drainage.	481	<b>TOTAL</b>	<b>5,231</b>
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<p>Reason for the decision</p>	<p>As set out in the report. Documents relating to this decision are available at <a href="http://councillors.herefordshire.gov.uk/mglIssueHistoryHome.aspx?IId=50028930">http://councillors.herefordshire.gov.uk/mglIssueHistoryHome.aspx?IId=50028930</a></p>														
<p>Options considered</p>	<p>1. Option 1 - Discontinue council expenditure in the HEZ. This option would result in not maximising the receipts from council owned land within the enterprise zone and the future loss of business rates from these sites. Failure to bring these sites in to economic use would also reduce the economic growth and new jobs created at the site, and may</p>														

	<p>impair the council's ability to realise its ambition to generate higher value employment opportunities at the HEZ.</p> <ol style="list-style-type: none"><li>2. Specifically it is considered that discontinuing the council expenditure in the HEZ would result in:<ol style="list-style-type: none"><li>a. No further council land sales within the HEZ.</li><li>b. The council not receiving an estimated capital receipt of between approximately £7.5m and £8m.</li><li>c. Allocated employment land not being brought forward and therefore not generating an estimated 1500 job opportunities.</li><li>d. Private sector businesses not investing an estimated £40m in new buildings and plots.</li><li>e. Capping the per annum business rate return from the site below the maximum amount that could be generated.</li></ol></li><li>3. It should be recognised that historical expenditure on the HEZ has proceeded on the agreed policy basis that it would facilitate the full sale and build out of the land within council ownership. Not achieving those sales from within the HEZ will require an amount of previous expenditure to be funded from alternative capital receipts.</li><li>4. Other than the HEZ there are very limited options in Hereford, and wider Herefordshire, for businesses seeking investment ready sites to accommodate a new commercial property. Consequently a decision not to invest in the HEZ has the potential for the 10 businesses currently negotiating sales with the HEZ team to place their plans on hold, or, in a worst case scenario, finding a location out of county that can accommodate their growth requirements. This would also similarly impact on the pipeline of enquiries that the HEZ is currently handling.</li><li>5. In taking this option there is potential for significant reputational impact to the council in terms of the relationship with the local business community, the Marches LEP, and government, each of whom are stakeholders in the broader HEZ project. The Marches LEP and Government are likely to require an explanation for the decision and an assessment as to the potential impact on business rate income and job creation targets.</li><li>6. In the longer term, there is potential for Herefordshire Council backed projects to be seen by the government / LEP as a risky investment if targets and outcomes for the HEZ are not met or significantly changed. This may make the securing of public sector funding more difficult in the future.</li><li>7. Therefore, for the reasons given above, this option is not</li></ol>
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	<p>recommended.</p> <ol style="list-style-type: none"><li data-bbox="571 230 1449 528">8. Option 2 – Invest a lower amount of finance into the enterprise zone capital interventions programme. This would result in not maximising the receipts of council owned land within the enterprise zone and the future years loss of business rates from these sites. Failure to bring these sites in to economic use would also reduce the economic growth and new jobs created at the site, and may impair the council’s ability to realise its ambition to generate higher value employment opportunities at the HEZ.</li><li data-bbox="571 562 1449 927">9. The level of impact on the HEZ of taking forward this option would depend on the amount invested and what capital works this is allocated towards, but would be scaled between the outcomes described in option 1 above and the preferred option recommended in the report. It should be recognised that historical expenditure on the HEZ has proceeded on the agreed policy basis that it would facilitate the full sale and build out of the land within council ownership. Not achieving those sales from within the HEZ will require an amount of previous expenditure to be funded from alternative capital receipts.</li><li data-bbox="571 960 1449 1234">10. In taking this option and depending on the amount invested, there is potential for reputational impact to the council in terms of the relationship with the local business community, the Marches LEP, and government, each of whom are stakeholders in the broader HEZ project. The Marches LEP and Government are likely to require an explanation for the decision and an assessment as to the potential impact on business rate income and job creation targets.</li><li data-bbox="571 1267 1449 1431">11. In the longer term, there is potential for Herefordshire Council backed projects to be seen by the government / LEP as a risky investment if targets and outcomes for the HEZ are not met or significantly changed. This may make the securing of public sector funding more difficult in the future.</li><li data-bbox="571 1464 1449 1529">12. Therefore, for the reasons given above, this option is not recommended.</li><li data-bbox="571 1563 1449 1899">13. Option 3 – Delay, by one year, taking a decision on the expenditure made within the HEZ to “Pause and review” the council expenditure. Unless a clear rationale for taking this option is outlined, there is the potential to create uncertainty within the local business community in terms of the council priorities for economic growth and delivery of employment land. This has the potential to constrict the local speculative employment market and place significant restrictions on the supply of employment land within Hereford, which is currently concentrated at Rotherwas and the HEZ.</li><li data-bbox="571 1933 1449 2067">14. Other than the HEZ there are very limited options in Hereford for businesses seeking sites to accommodate a new commercial property. Consequently any delay in making the decision has the potential for the 10 businesses currently</li></ol>
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	<p>negotiating sales with the HEZ team to place their plans on hold, or, in a worst case scenario, finding a location out of county that can accommodate their growth requirements.</p> <p>15. Similarly, should there be an adverse impact on the sale of plots to private sector businesses, the outcome of which is the cancelation of these sales; this would result in the loss of capital receipts back to the council.</p> <p>16. It should be recognised that historical expenditure on the HEZ has proceeded on the agreed policy basis that it would facilitate the full sale and build out of the land within council ownership. Not achieving those sales from within the HEZ will require an amount of previous expenditure to be funded from alternative capital receipts.</p> <p>17. In taking this option there is potential for significant reputational impact to the council in terms of the relationship with the local business community, the Marches LEP, and government, each of whom are stakeholders in the broader HEZ project. The Marches LEP and Government are likely to require an explanation for the decision and an assessment as to the potential impact on business rate income and job creation targets.</p> <p>18. In the longer term, there is potential for Herefordshire Council backed projects to be seen by the government / LEP as a risky investment if targets and outcomes for the HEZ are not met or significantly changed. This may make the securing of public sector funding more difficult in the future.</p> <p>19. Therefore, for the reasons given above, this option is not recommended.</p>
Declarations of interest (see below)	
Call-in expiry date (decisions are not subject to call-in where special urgency provisions apply)	14 August 2019

<p>Councillor: .....</p> <p>Cabinet member corporate strategy and budget (Councillor David Hitchiner)</p>	<p>Date 8 August 2019</p>
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- a record of any conflict of interest declared by any executive member who is consulted by the member which relates to the decision;

and

- in respect of any declared conflict of interest, a note of dispensation granted by the relevant local authority's head of paid service.