

Decision maker:	Director for economy, communities and corporate
Meeting date:	Thursday 26 April 2018
Title of report:	Ross Enterprise Park, Model Farm – Development Arrangements
Report by:	Economic Development Officer

Classification

Open

Decision type

Non-key

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

Ross East;

Purpose and summary

To agree arrangements for progressing the development of Ross Enterprise Park.

Recommendation(s)

That:

- a) **a detailed appraisal for the development of Ross Enterprise Park, Model Farm, to include preparation of detailed designs/proposals, the discharge of all planning conditions, procurement preparation and other appropriate preliminary work be undertaken at a cost of not more than £175,000.**

Alternative options

1. **Do nothing:** Do not develop the enterprise park and allow the market to meet the employment need of the Ross on Wye locality. This option has been discounted as there

is an observed market failure for the delivery of new employment space of any scale within Herefordshire. The opportunity to obtain the benefits of the scheme would be lost.

2. **Utilise an alternative delivery model:** No other viable delivery models have been identified, that would secure high quality employment uses at the site. The proposed development model has been used with success at Skylon Park, Hereford Enterprise Zone. Efforts have been made to secure gap funding and Enterprise Zone status from Her Majesty's Government and the Local Enterprise Partnership without success. The site in its current condition has been marketed to investors through the council website, the Economic Vision and other investment opportunities without any interest from the market.

Key considerations

3. Ross Enterprise Park at Model Farm, Hildersley is the largest strategic employment site in Herefordshire south of Hereford. It is a well situated site with excellent road transport links including easy access to the M50 (Midlands/South West), A449 (M4 corridor/Wales/South West) and the A49 (Marches/West Midlands/North West). The 15 hectare site, is allocated to provide 10 hectares of employment land that could accommodate 29,400 square metres of new employment floor space and support up to 1,000 jobs, whilst supporting the growth of the local and wider economy. The scheme is likely to also generate business rate income, some of which will be retained by the council. The entire site is in council ownership and vacant possession is available on providing the small holding tenants three months' notice.
4. The land at Model Farm has been allocated as an employment site since its first inclusion in the 2007 Herefordshire Unitary Development Plan (UDP). The employment site was carried forward to the Herefordshire Local Plan Core Strategy 2011 – 2031. Several strong funding submissions were made to Her Majesty's Government and Local Enterprise Partnership to finance the viability gap in the scheme. Due to the highly competitive nature of the funding rounds, these applications were ultimately unsuccessful.
5. The site has benefited from a number of previous planning consents, the December 2013 consent expired in December 2017. In May 2017, the director for economy, communities and corporate, decided to seek renewal of the Model Farm planning application and a further planning consent was approved by the planning and regulatory committee on 21 February 2018. Provision has been made in the approved capital programme to support delivery of Ross Enterprise Park/Model Farm.
6. It is proposed that at this stage, a detailed appraisal of the development of Ross Enterprise Park be undertaken to develop a business case that to inform a future Cabinet decision. This appraisal stage would include the development of detailed designs/proposals and the submission of a conditions discharge application, to include a scheme phasing plan, to the Local Planning Authority. This will allow the scheme to be developed in phases that meet the market demand and ensure that the business case/appraisal presented to members is based proposals that have an appropriate level of certainty. Preparations to procure a contractor would also be taken at this stage. Work during this stage, will either be undertaken by the council's development partner or via an alternative suitable provider procured in accordance with the council's contract procedure rules.
7. The appraisal work will inform a business case that will outline the development and operating model for the scheme including the land disposal model. It is proposed that this will follow a very similar model to Skylon Park, Hereford Enterprise Zone, whereby the council will develop infrastructure required to provide serviced land in to meet demand,

with the council retaining control over disposals. It is anticipated that the majority of the demand will be from growing local/regional businesses who wish to purchase serviced land to build their own premises. There is however an aspiration to attract as high a quality business uses as possible that will create high value jobs. There would be the opportunity for council direct development or speculative development by developers to cater for the lease market. The masterplanning of each phase will be driven by market demand and assisted by the market assessment under development. The full business case produced will be presented to cabinet for decision. The business case will outline the capital scheme development costs and projected capital receipts from land sales. Given the position of other employment schemes, it is anticipated that the development costs will be greater than that of the capital receipt income that will be generated. The business case will however consider the other quantified long term benefits of the scheme to Herefordshire, including business rate income and economic benefits to enable full consideration of the merits of the scheme.

8. If the council does not undertake the appraisal of the scheme in the way outlined above, the scheme would remain undeveloped and the opportunity to create more and better jobs within this area of the county would be lost. There is an observed market failure to deliver employment land within Herefordshire, therefore given current employment land values, the private sector would not deliver a scheme of this scale and therefore the benefits would be lost.
9. There have been communications to the business community and the general media following the decision to include the scheme within the capital programme and when the recent planning application was approved. Signage for the scheme is being created and a webpage for the scheme has also been developed and it will be regularly reviewed. The business case developed for the scheme will identify key performance indicators for the scheme, such as floorspace and jobs created.

Community impact

10. The enterprise park at Model Farm contributes to the council priority of 'Support the growth of our economy' and it is a key project in the council's corporate delivery plan. It is also a priority project within the Herefordshire Economic Vision and it could significantly support the goals of the scheme including growing the local economy and creating higher value jobs. The project will also support the goals for the Marches Strategic Economic Plan including Supporting Business and Physical Infrastructure.
11. The scheme has been discussed and developed with input from a wide range of stakeholders including the Marches Local Enterprise Partnership, the Herefordshire Investment Partnership, the business board and the local community.

Equality duty

12. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 13. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a consideration for employment space for businesses, we do not believe that it will have an impact on our equality duty.
- 14. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.

Resource implications

- 15. The resource implications of the scheme are as follows:
 - i. The employment land at model farm was included as a project within the 2018/19 Capital Programme/Medium Term Financial Strategy (MTFS) with a £7 million allocation;
 - ii. The cost of the scheme will be considered during the appraisal of the project by the development partner in conjunction with officers. The projected capital receipts, business rate income and other income will also be included within the business case;
 - iii. The scheme will be funded by capital funding as allocated through the capital programme.
- 16. The appraisal of the scheme, including the detail designs and conditions discharge consents will cost no more than £175,000 and will be funded through the project's capital programme budget.
- 17. A business case will be created when an appraisal of the project has been undertaken by a contractor and this will include a full cost analysis for each phase of development alongside the income the scheme will generate.
- 18. If the Council was to do nothing with the site it would continue to provide an small income from the small holdings tenants however it would be contrary to the council's policy. Any sale of the site, would limit the council's ability to shape development on the site.

Legal implications

- 19. This report proposes that detailed appraisal and planning work is undertaken to inform the council as to the development conditions for, and potential costs of, a development of an enterprise park. Without this detailed work being undertaken it would be difficult for the council to satisfy itself that the proposed development represents a best value solution for the council. This report notes that a further decision report will be brought forward once this appraisal work has been completed.

There are no other legal implications which need to be addressed at this stage.

Risk management

20.

Risk / opportunity	Mitigation
<p>Cost risk: Costs are higher than expected or there is a cost overrun.</p>	<p>A full appraisal and business case will be produced and a fixed price build will be agreed with the development partner.</p>
<p>Income risk: Income received from the scheme will be below that set out in the business case.</p>	<p>The business case will use an accurate income model that will be adjusted for risk and optimism.</p>
<p>Value risk: Best value will not be achieved for the scheme or contractor.</p>	<p>The development partners' value has been tested against the market in a rigorous procurement exercise and independent cost review will be undertaken before contractual arrangements for the scheme are completed.</p>
<p>Market/benefits risk: The enterprise park will not meet the needs of the market and the full benefits will not be achieved.</p>	<p>A market assessment is being undertaken to identify the market requirements. The scheme will be developed to meet these needs and to maximise high value employment opportunities. The scheme will make developable land available in phases to ensure that future need can be met whilst minimising cost risk to the council. The scheme will develop a monitoring and evaluation framework as part of the business case that will be maintained throughout the project.</p>
<p>If the council decides not to go ahead with the project, the project funds are risked and the proposed capital budget could not be used and there would be a revenue risk.</p>	<p>The council will accept a risk of appraisal/planning costs, up to a maximum total exposure of £175,000. The actual total exposure is to be agreed with development partners before any work commences. If these costs are incurred and cannot be capitalised, they will be funded by the council's corporate revenue reserve for such scenarios.</p>

21. All above risks will be managed at a service level and via an appropriate project board.

Consultees

22. Local members including the Member for Ross East have been consulted about the proposal and there is support for the scheme and the benefits that it will deliver to the town and the wider area.

23. During the planning application and several stages of development of the scheme a broad range of consultation has taken place. This has included Ross Town Council, the

Neighbour Development Plan group, businesses, nearby residents and statutory consultees including Highways England.

Appendices

Site plan with indicative layout.

Background papers

None identified