

**SUPPLEMENT 1 TO THE AGENDA FOR**

# **General Overview & Scrutiny Committee**

**Wednesday 14 January 2015**

**10.00 am**

**The Council Chamber, Shire Hall, St. Peter's Square, Hereford,  
HR1 2HX**

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**QUESTIONS ON THE CALL-IN OF THE MARCHES LOCAL ENTERPRISE PARTNERSHIP JOINT EXECUTIVE COMMITTEE DECISION ON MARCHES ENTERPRISE ZONE**

The following questions have been received and responses provided by officers.

\*Those questions that are not relevant to call-in notice will all receive a written response.

<b>Questions from Mrs E Morawiecka, Breinton</b>	<b>Is question relevant to call-in notice?*</b>
<p>Question 1 This was a decision of the Marches LEP Joint Exec, but the decision paperwork states that it will be a key decision which will take effect on Herefordshire Council from 17th December 2014. How can the Marches LEP Joint Exec make a decision which will be a key decision of Herefordshire Council?</p>	<p>No. A Joint Executive Committee may take Executive decisions which bind the constituent councils. Cllr Johnson was duly appointed to the Marches JEC by the council's Cabinet in 2014.</p>
<p>Question 2 I note that the DTZ report for the Marches Joint Exec meeting is marked as "DRAFT".</p> <p>a) Why was a "key" decision based on a draft report?</p> <p>b) What was the urgency and why was the decision not delayed until the report was finalised?</p> <p>Response 2 a) DTZ had completed their modelling and analysis work and had drawn their conclusions which is why the report was presented to the Local Enterprise Partnership (LEP). The report was still marked as a draft because the work has been commissioned by the Department for Communities and Local Government for the LEP, and hence will only be marked as final when it has concluded its journey through the LEP process.</p> <p>b) 100% of new business rates generated by Enterprise Zones are retained by LEPs for a 25 year period, which started at April 2013. The total value of this pot depends on the volume of business occupation and the speed with which it is brought into place. Where investment in enabling infrastructure is needed to generate that business occupancy, delays in decision making impact on the total value that can be generated, hence the need for a decision.</p>	<p>Yes - relates to DTZ report</p>
<p>Question 3 Appendix B is the report to the Marches LEP Joint Exec and states at Consultation para 22. "The subject of this paper has been considered at two Marches LEP board meetings".</p> <p>a) Where are the minutes of the meetings of the Marches LEP which formed this "consultation"?</p> <p>b) What transport options, other than a road crossing, did the board of the Marches LEP consider at these meetings?</p>	<p>No - this phrase is in the report to the JEC and thus in the public domain prior to the call-in. A written response will be provided to the questioner.</p>

<p>Question 4</p> <p>The draft DTZ report on page 7 states “The approach to modelling each of the scenarios relies on Herefordshire Council taking a risk on the investments in advance of the business rate income as the LEP is not permitted to borrow. It is then assumed that the cost of funding the interventions will be reimbursed to Herefordshire Council from the LEPs business rates growth income.” To ensure that the financial risk of development of the REZ is not solely with the taxpayers of Herefordshire, when the benefits accrue wholly to the Marches LEP,</p> <p>a) What agreement has been reached between Herefordshire Council and the Marches LEP that any investment in the Enterprise Zone made by Herefordshire Council will be reimbursed by the Marches LEP?</p> <p>b) Has the Marches LEP also agreed to reimburse Herefordshire Council the costs of financing the borrowing required to fund the developments required under scenario 3?</p>	<p>No - the decision makes clear that the business rates generated will be used to fund the infrastructure - the decision itself is the ‘agreement.’ The costs of borrowing will be recovered. This issue was in the public domain before the call-in.</p>
<p>Question 5</p> <p>The DTZ report keeps referring to the highways constraints of the HEZ but makes no mention of the LDO cap on water discharge constraints, which could be very detrimental to manufacturing businesses or the future development of housing in Hereford. No infrastructure to address the LDO constraint on waste water is referred to or included in the costings for the enabling infrastructure projects. Why?</p> <p>Response 5</p> <p>The Local Development Order does not impose a cap on water discharge. It concludes, on the basis of Environment Agency analysis, that the proposed growth of the Enterprise Zone need not be restricted (as it will be within the capacity of Hereford Treatment Works).</p> <p>As no enabling infrastructure is seen as necessary at this point, the Enterprise Zone made no submission to DTZ.</p> <p>For information: All prospective purchasers are required to provide information on anticipated foul/waste water discharges to enable an assessment to be made on each individual project. Specific consents will be required for any trade effluent discharge into the public foul sewer, and the Council can exclude development if a proposed project could have a significant effect on the River Wye Special Area of Conservation.</p>	<p>Yes - relates to robustness of DTZ report.</p>
<p>Question 6</p> <p>DTZ draft report states at Para 2.3.3 “Moreton (on-Lugg) Park has planning permission for 550,000 sqft of accommodation and some of this space could be developed to compete with the Enterprise Zone and any prospective small employment unit schemes within the area”. DTZ reiterate the site difficulties at REZ. Moreton-on-Lugg is an employment site already adjoining the A49,</p>	<p>Yes - flows from DTZ report.</p>

[at 13-Jan-15, 18.00]

<p>Response 6</p>	<p>with an existing and functioning rail-freight head and the potential to provide employment accommodation 3.5 times the maximum size of Rotherwas. Why then is it best use of the Herefordshire taxpayer's money to spend over £200million on infrastructure at Rotherwas Enterprise Zone to develop this "critically" constrained much smaller site?</p> <p>Both Moreton on Lugg and Rotherwas contribute towards the overall employment land portfolio within the County. To an extent they cater for different markets and businesses and each has a differing set of criteria for sales or lettings. As a consequence it is considered appropriate that both sites are developed to provide employment land and accommodation for businesses.</p> <p>The preferred option in the DTZ report recommends spending £17m on infrastructure and other investments at the Hereford Enterprise Zone. When fully developed it is estimated that the Enterprise Zone will accommodate in the region of 1.5 million sqft of employment accommodation, substantially larger than the 550,000 sqft which has planning permission at Moreton on Lugg.</p> <p>It should be noted that the ability to retain Business Rates is a feature of Enterprise Zones and is restricted by legislation to development which occurs within their boundary. The development of other sites across the county, whilst welcomed in jobs and investment terms, will not bring the same business rate retention benefits provided by development on the Hereford Enterprise Zone.</p>	
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<p><b>Questions from Dr Nichola Geeson, Hereford</b></p> <p>In Point 6 of the Summary of the LEP document of 11 December 2014 (p14 of the Public reports pack) we read:</p> <ul style="list-style-type: none"> <li>• Scenario 3, maximum intervention, provides by far the best potential scale of return for the Marches LEP, but requires certainty of a Wye crossing to achieve maximum impact</li> <li>• the model should be adjusted, to provide an earlier contribution to the Marches LEP running costs, in order to reflect the principle of an early first call established in 2012. This was proposed at £100k a year from 2016/17, when the current Government core funding commitment end</li> </ul> <p>Question 7 Why are the running costs of the LEP considered to be as high as £100k per year? Might this be double-accounting, as similar meetings would be likely as part of normal local authority management and networking?</p>	<p><b>Is question relevant to call- in notice?*</b></p> <p>No - this figure is in the JEC report, so was in the public domain before the call-in. A written response will be provided to the questioner.</p>
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<p>Question 8      Membership of the LEP must surely expect financial benefits for the businesses involved, (through higher visibility, and increased business opportunities and profits), so why does the LEP expect the running costs of the LEP to be paid for solely by tax-payers through Herefordshire Council?</p>	<p>No - arises from the JEC report, not the DTZ report. The LEP is currently funded by central government. In future the 3 councils may have to cover the costs of the LEP. The £100K contribution will come from additional Business Rates (new income) that would not have been generated without the investment authorised by the JEC decision.</p>
<p>Question 9      If the Hereford Enterprise Zone is now referred to as the Marches Enterprise Zone, are the other Local Authorities that make up the Marches being asked to pay their share of these running costs referred to above?</p>	<p>No - MEZ is the title of the JEC report, so this was in the public domain before the call-in. See comments on preceding question.</p>
<p>Question 10      How are the receipts from other LEP sponsored activities accounted for, and shared out, among these Local Authorities?</p>	<p>No - this relates to matters outside the ambit of the call-in or original report to the JEC.</p>

## Appendix C: Capital Receipts

### C1 - SCENARIO 1 CAPITAL RECEIPTS

Year	Capital Receipt (£000)	Commentary	Receipt breakdown (£000)
2013	23		23
2014	296		21
			16
			19
			240
	-		
2015	-	No receipt anticipated	-
2016	-	No receipt anticipated	-
2017	60		60
2018	67	Plot S5 South Magazine	67
2019	-	No receipt anticipated	-
2020	53	Part of S10	53
2021	0.00		
2022	53	Part of S10	53
2023	51	Part of S6	51
2024	51	Part of S6	51
<b>TOTAL</b>	<b>654</b>		

### C2 - SCENARIO 2 CAPITAL RECEIPTS

Year	Capital Receipt (£000)	Commentary	Receipt breakdown (£000)
2013	23		23
2014	296		21
			16
			19
			240
	-		
2015	350	South Magazine Future Central Plot N15 East part of C1	56
			60
			60
			87
			45
	42		



Year	Capital Receipt (£000)	Commentary	Receipt breakdown (£000)
2016	70	Central former waste site Central remainder of N15	32 38
2017	42	Future East - Part of C1	42
<b>TOTAL</b>	<b>781</b>		

### C3 - SCENARIO 3 CAPITAL RECEIPTS

Year	Capital Receipt (£000)	Commentary	Receipt breakdown (£000)
2013	23		23
2014	296		21 16 19 240 -
2015	350		56 60 60 87 45 42
2016	70	Central former waste site Central remainder of N15	32 38
2017	560	North Magazine future 2018 South Magazine future 2018 East future 2018 part of C1	386 131 420
2018	286	Chapel Road lakeside plot Chapel Road future	130 156
2019	682	North Magazine future South Magazine future Chapel Rd future	395 131 156
2020	551	North Magazine future Chapel Rd future	395 156
2021	638	South Magazine future North Magazine future Chapel Rd future	87 395 156
<b>TOTAL</b>	<b>3,456</b>		



HEREFORD ENTERPRISE ZONE EXECUTIVE BOARD MEETING - 9 DECEMBER 2014  
 ENTERPRISE ZONE CLIENT TIMELINES - DECEMBER 2014

	2014-15				2015-16				Land Take - acres	Build size - square metres
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar		
									0.9	1,600
									0.9	1,300
									3.3	1,900
									3.6	2,350
									3.8	4,000
									2.3	2,410
									0.9	1,600
									1	1,040
									1.5	2,400
									0.3	230
									0.4	480
									3	3,720
									1.1	
									TOTAL	23,050





## **Briefing note for General Overview and Scrutiny Committee**

### **Policy background regarding infrastructure to support the development of the Hereford Enterprise Zone**

The decision of the LEP Joint Executive Committee which is the subject of this Call-in was taken on 11th December 2014 and was:

#### **That the Joint Committee**

- a) Approve Scenario 3, as outlined in this report, as the investment approach to take, with an amendment to provide £100k a year from the additional business rates to help meet LEP running costs from 2016/17 onwards for the duration of the model:**
- b) Business rates generated by the enterprise zone be used to fund the additional investment required;**
- c) Recognise that the enterprise zone funding stream is one of the potential sources for the Wye river crossing but that this funding need not be quantified at this time; and,**
- d) Ask Herefordshire Council to keep the Marches LEP board informed of progress with the implementation of the Herefordshire Local Development Framework.**

This decision allocates future business rate income to support the development of the Hereford Enterprise Zone (HEZ) by providing funding for such infrastructure as may be required to enable the HEZ to be completed. However, this decision does not pre-determine what infrastructure (if any) may be required nor pre-empt decisions that would need to be taken locally in the future regarding the details of what infrastructure should be provided and where.

The future details of the infrastructure needed to support the completion of the HEZ are not determined by the decision which has been called-in and are not relevant to the grounds for call in. However, in order to set the context, it may be helpful to clarify the current policy position in relation to the need for infrastructure to enable development to proceed at the HEZ.

An enterprise zone provides for the relaxation of planning controls within a designated area to encourage economic development. In support of the aims of the HEZ, a Local Development Order (LDO) has been put in place by the council, following consultation with a range of local and statutory consultees, including the Highways Agency (HA). An LDO provides approval for identified forms of development and, once adopted, permits development within the HEZ area to proceed without the need for a formal planning application. The currently adopted LDO was adopted following consultation. The HA is satisfied that the development allowed for within the adopted LDO can be accommodated within the existing highway infrastructure. If the HA were not satisfied with the appropriateness of the council's approach to the LDO they have the statutory power to direct the council to change its approach.

The council has recognised that further infrastructure investment is necessary to enable the full development of the HEZ and this is made clear in the council's Local Transport Plan. This is consistent with the emerging Local Development Framework (LDF) and the Strategic Economic Plan for the Marches Local Enterprise Partnership. The need for further investment in infrastructure to

support the development of the HEZ has already been recognised by Government and the Local Enterprise Partnership through their support and funding for the South Wye Transport Package, which will promote economic growth while also tackling specific transport, environmental and health problems within the South Wye area.

The draft LDF for Herefordshire was approved by full Council in July 2013 and sets out the Council's strategy for development across the County over the period to 2013. It sets out proposals for housing and employment growth in Hereford supported by an Infrastructure Delivery Plan. This infrastructure delivery plan includes the Hereford City Centre Transport Package, including the City Link Road, the South Wye Transport Package, including the Southern Link Road, and the Hereford Transport Package, including the Western Relief Road. The evidence base for the LDF sets out the need for this infrastructure to support the proposed housing and employment development, including the full development of the HEZ.

The draft LDF was submitted for examination in September 2013. Specific examination sessions will be held between 10<sup>th</sup> and 25<sup>th</sup> February 2015. Subject to the outcome of this process the decision to formally adopt the LDF would be one for the full Council to take in due course under its constitution as part of the Policy Framework.

The implementation of infrastructure proposals within the LDF, such as the Western Relief Road, would be subject to further decision making by the Council at key stages including detailed funding, route selection, land acquisition, planning permission and construction.

**Richard Ball**  
**Assistant Director Place Based Commissioning**  
**13/01/2015**