

SUPPLEMENT 2 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**

4. QUESTIONS FROM THE PUBLIC

Note: This document was updated on 5 February 2015 to include responses 3, 7 and 10.

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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. **Note: This document was updated on 5 February 2015 to include responses 3, 7 and 10.**

Questions from Mrs E Morawiecka, Breinton	Is question relevant to call-in notice?*
<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>

Response 3	<p>The Marches LEP website is currently under review; the minutes of the board meetings of the 22nd September and the 17th November 2014 will be made available on the LEP website as part of this refresh.</p> <p>It is presumed that the reference should refer to “river crossing” rather than road crossing. The board report was written in conformity with the Herefordshire Core Strategy and its policies which set out the required infrastructure for Hereford. Consequently the board did not consider any other options.</p>	
Question 4	<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>
Question 5	<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>Yes - relates to robustness of DTZ report.</p>
Response 5	<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>	

Question 6	<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, 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>	Yes - flows from DTZ report.
Response 6	<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>	

<p>Questions from Dr Nichola Geeson, Hereford</p>	<p>Is question relevant to call- in notice?*</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"> • 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 • 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 	

<p>Question 7</p> <p>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>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>
<p>Response 7</p> <p>The LEP's running costs are considered to be appropriate for an organisation that covers the whole Marches geography and which has to perform functions expected by government and the various local partners.</p> <p>There is no double counting.</p>	
<p>Question 8</p> <p>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</p> <p>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</p> <p>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>
<p>Response 10</p> <p>The accounting for and distribution of any receipts arising from LEP sponsored activities will be determined by a range of factors (including conditions of grant funding, source of receipts etc) and may vary from activity to activity. Any decision regarding use of receipts will set out the basis on which they are to be allocated.</p>	