

AGENDA

Marches Local Enterprise Partnership Joint Executive Committee

Date: **Thursday 11 December 2014**

Time: **10.00 am**

Place: **Craven Arms Community Centre, Newington Way,
Craven Arms, Shropshire, SY7 9PS**

Notes: Please note the time, date and venue of the meeting.

For any further information please contact:

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Agenda for the Meeting of the Marches Local Enterprise Partnership Joint Executive Committee

Members:

Chairman

Councillor AW Johnson

Herefordshire Council

**Councillor K Barrow
Councillor KS Sahota**

**Shropshire Council
Telford and Wrekin Council**

Non Voting Member

Mr G Wynn

Chairman of the Local Enterprise Partnership

AGENDA

		Pages
1.	CHAIRMAN To note that by agreement Councillor AW Johnson will be Chairman of the Committee for the remainder of the municipal year.	
2.	APOLOGIES To receive apologies for absence.	
3.	NAMED SUBSTITUTES (IF ANY) To receive details of a Member of the relevant Executive nominated to attend the meeting in place of a Member of that Executive.	
4.	DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the agenda.	
5.	MARCHES GROWTH DEAL - PROPOSITION FOR THE RETENTION OF RECEIPTS FROM PROACTIVE STEWARDSHIP OF HOMES AND COMMUNITIES AGENCY ASSETS To provide an update on the discussions between Telford and Wrekin Council (TWC) and the Homes and Communities Agency (HCA) in relation to the commitment by Government in the Marches Growth Deal to explore the potential for sharing land receipts from HCA land sales in Telford.	5 - 10
6.	MARCHES ENTERPRISE ZONE To consider the outcome of a review of options and agree mechanisms for accelerating delivery of the enterprise zone.	11 - 14
7.	DATE OF NEXT MEETING To confirm the date of the next meeting.	



MARCHES LOCAL ENTERPRISE PARTNERSHIP JOINT EXECUTIVE COMMITTEE

MEETING DATE:	11 December 2014
TITLE OF REPORT:	Marches Growth Deal – Proposition for the Retention of Receipts from Proactive Stewardship of HCA Land Assets

Classification

Open

Key Decision

This is a key decision because it is likely to result in the councils incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates.

And

This is a key decision because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the local enterprise partnership (LEP) area.

Recommendation(s)

THAT the Joint Committee:

- (a) support the principles set out in the report and commercially confidential exempt appendix, recognising that these are an initial negotiating position;**
- (b) delegate authority to Cllr Bill McClements, Telford and Wrekin Council (TWC) Cabinet Member for Resources & Enterprise and David Sidaway, TWC Director: Development, Business and Customer Service, in consultation with the Chair of the Marches LEP, to negotiate the detail of the earn-back mechanism with Government; and**
- (c) receive further reports updating on progress as appropriate.**

Summary

Background

- 1 The Marches Strategic Economic Plan (SEP) sought Government support to establish a mechanism that would see Telford and Wrekin Council (TWC) and the Marches Local Enterprise Partnership (LEP) share in the receipts generated from the sales of the Home and Communities Agency (HCA) commercial and residential

Further information on the subject of this report is available from Katherine Kynaston, Business & Development Planning Manager, Telford & Wrekin Council, katherine.kynaston@telford.gov.uk

land holdings.

- 2 The arrangement was proposed on the basis of extending the existing Stewardship Agreement between Telford & Wrekin Council and HCA to include all HCA owned commercial and residential land assets.
- 3 The SEP proposed that the Marches Investment Fund would encourage the commencement of developments that are vital to underpinning growth and facilitating inward investment providing a mechanism to recycle funds from one investment into another to drive continued growth.
- 4 In response to the SEP, in the Marches Growth Deal (July 2014), Central Government made the following commitment:
 - To enhance the existing relationship between TWC and HCA committing to an on-going dialogue with these partners on:
 - Piloting expansion of current arrangements to cover residential disposals;
 - Exploring the potential for sharing receipts above an agreed profile between HCA and the Marches LEP (subject to detailed negotiation and completion of a positive business case which can demonstrate an acceleration in disposal of land and at a higher value); and
 - The case for, and scope of, an Investment Fund into which a local share of land sale proceeds might be directed

Progress to Date

- 5 When the SEP was submitted TWC had undertaken a basic level of analysis of the potential for sites in Telford to deliver both uplift and accelerated delivery, but without the benefit of the information on the budgeted receipts anticipated year on year by Treasury as this was not available at that time. Following the July announcement BIS/Cabinet Office steered TWC, on behalf of the Marches, to work with the HCA regional team to develop the model and business case further.
- 6 Over the last few months TWC Officers have worked with senior representatives from HCA to explore how the existing stewardship arrangements could be extended to encompass the receipt retention mechanism and, critically, to understand what is built in to Treasury budgets and the negotiating position that can be anticipated from Government. A number of points have emerged from this which the LEP can anticipate Government will look to see from any deal around receipts which include:
 - a requirement for land receipts equal to the budgeted figures for 2015/16 and subsequent years, to be paid to Government, in the year expected, before any sharing of receipts is applied
 - that Government will expect to see a financial benefit from the deal in terms of additional receipts over and above budgeted figures
 - an expectation that the local area will co-invest in a joint programme including committing value from their own land sales alongside HCA's land
 - that the Deal will not involve cherry picking of sites but address all HCA land holdings including addressing liabilities (e.g. heavily contaminated sites attracting significant abnormal costs some of which will be undevelopable)

- that the local area will guarantee delivery of the receipts and potentially other outputs/targets required of HCA (e.g. starts on site, completions, commercial floor space), in the year anticipated by Government
- that HCA will receive all receipts, make budgeted payment to Government and to the local area and monitor and report on delivery to Department of Communities and Local Government (DCLG)
- given that this represents a significant extension of the existing stewardship programme that the local area can show that it has considered the resource requirements to deliver the uplift and acceleration that is agreed under the deal.

Summary Proposal

- 7 The proposition being put forward to begin the conversation with Government, develops the original, broadbrush proposals in the SEP document but maintains the core elements of the deal i.e. that a proportion of receipts from land sales are retained locally, with a % of this to be re-invested in the area where they are generated and, through the Investment Fund, a % to be invested across the Marches. The local investment of funds both in Telford and across with Marches would be used to increase land values, accelerate delivery of homes and jobs and deliver infrastructure and regeneration that secures outputs in line with the vision and priorities in the Marches SEP.
- 8 The advice from HCA and detailed site work has led to some clarification of the proposals in the original SEP, including, in summary:
- only sites within T&W will be included in the programme
 - all HCA land assets in TWC including liabilities will be included
 - TWC will co-invest contributing 100% of any uplift/acceleration over the above budgeted receipts from TWC owned commercial and residential sites
 - TWC will guarantee payment of the land receipts anticipated for 2015/16 onwards, in year
- 9 The proposition, set out in the commercially confidential, exempt appendix (made available separately to Members of the Joint Committee) includes an amended approach to the split of the net uplift in land values proposing:
- 70% of uplift to be retained by TWC used to increase land values and accelerate delivery in Telford including addressing maintenance/management of some liability sites transferred under the deal
 - 15% of uplift to be retained by HCA to be paid to Treasury
 - 15% of uplift to be retained by the Marches LEP as a contribution to the Investment Fund
- 10 In the light of the guarantees being offered by TWC it is proposed that TWC retain 100% of uplift in 2015/16 and 2016/17 repaying HCA and the Marches their % split of uplift achieved in these years, in 2017/18. This will provide TWC with the necessary upfront investment required to pump prime the model and ensure that TWC has sufficient retained receipts to ensure budgeted receipts can be repaid to Government including making provision for future years. This will complement but not duplicate or

replace GD1 funds which are supporting the delivery of strategic transport infrastructure necessary to unlock growth.

- 11 Where HCA receipts are accelerated it is proposed these are retained by TWC to stimulate delivery up to the year when they are due to be repaid to Government. TWC will guarantee to make this payment in the year it is due and will need to make financial provision to ensure receipts from sites brought forward early in the programme are available in the year in which they are anticipated to be delivered.
- 12 On the basis of the capacity that has been required by HCA to deliver the current stewardship agreement, it is proposed that TWC net off £100k pa from the retained receipts to cover staff and related costs necessary to deliver the programme. This will not be used to replace local authority resources but to supplement TWC Stewardship Team capacity in the light of the scale of the programme.

Governance

- 13 HCA have confirmed that they expect to continue to receive all land receipts and will be responsible for making budgeted payments to Government and monitoring and reporting on delivery to DCLG. HCA have made clear that governance needs to be robust but avoid complex reporting arrangements.
- 14 HCA have recommended that governance be built upon that already established to manage the existing stewardship programme with TWC. The proposal is therefore that TWC become the 'accountable body' for the extended stewardship programme and that the existing TWC/HCA Telford Housing, Economy & Regeneration Board, strengthened to reflect its wider LEP Growth Deal role, provides the governing body for agreeing and monitoring programme delivery. The Board would provide HCA with information required to report to DCLG and to report to the LEP Board enabling the LEP's reporting to BIS/Cabinet Office on overarching Deal targets.
- 15 Shropshire Council as the LEP Accountable Body would remain responsible for the day to day operation of the Investment Fund on behalf of the LEP Board.

Next Steps

- 16 Discussions with HCA have provided considerable clarification of Government expectations and the proposition aims to reflect and respond to these. However this is a starting point for negotiation and it is anticipated that this next stage will lead to changes to the detail. Given the focus of this element of the Deal is on Telford sites and the guarantees being made by TWC then the Telford stewardship team will lead on the negotiation in consultation with the LEP Chair, on behalf of the Marches LEP.
- 17 BIS/Cabinet Office colleagues have advised that the submission of this proposition is required to initiate negotiation and while there is no set timetable, there is appetite in Government to progress this element of the deal as quickly as possible.
- 18 The Marches LEP board considered and agreed a series of recommendations which it is now submitting to the joint executive committee for approval.

Financial implications

- 19 The report and confidential supporting paper set out a model which will form the basis of negotiation with Government on the potential for sharing any uplift against book

Further information on the subject of this report is available from Katherine Kynaston, Business & Development Planning Manager, Telford & Wrekin Council, katherine.kynaston@telford.gov.uk

value achieved on sale of receipts from HCA assets between the HCA and the Marches LEP. Any sharing of uplift on receipts would start only after the repayment of Treasury targets for land receipts in 2015/16 and in subsequent years. Clearly there is a significant degree of risk attached to the guarantee provided by Telford and Wrekin Council subject to the conditions set out in the report and constraints attached to the use of any amounts retained by Telford & Wrekin Council. £100k pa will be netted off gross retained receipts to offset the costs of delivering the programme.

- 20 Financial advice and support will be provided by TWC Finance Team during the negotiations with Government regarding the potential HCA land receipt sharing proposal.

Legal implications

- 21 The proposition responds to the Government's agreement to enter into a dialogue with the Marches with regard to receipt retention, confirmed in the Marches LEP Growth Deal (July 2014). It is anticipated that, on the basis of a positive outcome to the forthcoming negotiations with Government, Telford, as accountable body for this element of the Deal, will enter into a contract with HCA encompassing the agreed operating principles, targets and outcomes. TWC legal officers, supported by external legal advisors where appropriate, will provide support throughout the process.

Risks, opportunities and impacts

- 22 The potential for the LEP and the Borough to retain a share of the land receipts from sale of agreed HCA land assets offers the opportunity for reinvestment into the delivery of further sites driving the delivery of growth. The potential extension of the successful partnership with HCA to include stewardship of residential sites provides the opportunity to ensure sites brought forward meet the needs of local communities and the Borough as a whole.
- 23 TWC is offering to guarantee payment to the Treasury of the budget land receipts anticipated in 2015/16 and thereafter, subject to conditions set out in the proposition.

Consultation

- 24 The proposals have been developed in consultation with the HCA local team. They were considered at a recent LEP Board meeting.

Background papers

None



MARCHES LOCAL ENTERPRISE PARTNERSHIP JOINT EXECUTIVE COMMITTEE

MEETING DATE:	11 December 2014
TITLE OF REPORT:	Marches Enterprise Zone

Classification

Open

Key Decision

This is a key decision because it is likely to result in the councils incurring expenditure which is, or the making of savings which are, significant having regard to the councils' budgets for the service or function to which the decision relates.

Purpose

To consider the outcome of a review of options and agree mechanisms for accelerating delivery of the enterprise zone.

Recommendation(s)

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.**

Summary

1. DTZ has been commissioned by the Department for Communities and Local Government (DCLG) to work with a number of enterprise zones across the country to encourage delivery propositions to accelerate take up and hence maximise financial returns to the parent local enterprise partnership (LEPs).
2. DTZ has prepared a detailed report for the Hereford enterprise zone. The DTZ report considered a range of intervention measures in enabling infrastructure and other site preparation works in order to optimise the performance of the enterprise zone.

Further information on the subject of this report is available from
Mark Pearce, Managing Director, Hereford Enterprise Zone Mark.Pearce@herefordshire.gov.uk

3. DTZ noted the limitations that the broader infrastructure around the city will have on the success of the enterprise zone. In particular, they highlighted the development of a new Wye river crossing as critical to success. The implementation of this crossing will free up capacity on the existing road infrastructure to enable the zone to be developed out in full.
4. The DTZ report considered the financial position under three scenarios:
 - **Scenario 1 – ‘Base Case’.** This summarised the interventions by Herefordshire Council and outcomes to date, with £3.8m of committed expenditure likely to provide an estimated take-up of 35,525 sq m. If no further proactive interventions were adopted, the forecast rate of income over the 25 year life of the enterprise zone would be £21.3m. Following removal of costs, and allowing for a contingency, a net surplus of £7.5m would be generated over the 25 year period.
 - **Scenario 2 – Enterprise zone interventions partially implemented but river Wye crossing is not completed.** A range of further intervention measures (e.g. enabling works) costing £10.6m would increase take-up to an estimated 49,435 sq m. This would generate an estimated rates income of £33.3m, following removal of costs and allowing for a contingency, a net surplus of £7.8m would be generated over the 25 year period.
 - **Scenario 3 – Enterprise zone interventions fully implemented and river Wye crossing completed.** A bridge would enable an estimated take-up of 146,925 sq m at a cost of £17.3m. This would generate rates income of £79.4m, following removal of costs and allowing for a contingency, a net surplus of £40.9m would be generated over the 25 year period.
5. Officers from the three councils have heard from the experiences of the enterprise zone team in the light of two year’s practical experience of delivery and the financial circumstances that applied as a consequence, and had an opportunity to test the DTZ model’s assumptions and outputs in detail. Herefordshire Council also provided the LEP board with a detailed update on the progress with the Hereford relief road. This confirmed that the relief road was included within the Herefordshire Local Plan Core Strategy submission, and that Herefordshire Council had a range of funding opportunities at its disposal to fund the relief road including the enterprise zone business rates generation.
6. Officers concluded, and the Marches LEP Board accepted, that:
 - the DTZ model is good and robust and provides a good evidence base for actions and the consequences of those actions
 - the circumstances are far better understood now than in 2012 and the zone is not a simple ‘cash cow’. It has to be worked hard to generate a return, potentially not starting to make a return to the Marches LEP until 2022/23
 - 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

- the enterprise zone funding stream needed to remain one of the potential sources for the Wye river crossing, but that the overall situation would become much clearer once Herefordshire's Local Development Framework had been adopted.
7. The Marches LEP board considered and agreed a series of recommendations which it is now submitting to the joint executive committee for approval.
 8. Approval of individual investments proposed in scenario 3 will be subject to decisions by Herefordshire Council, informed by business cases.

Financial implications

9. Under the legislation establishing enterprise zones, business rates that are generated by new businesses occupying space on the zone can be allocated by the Marches LEP to use for economic activity in the LEP area.
10. The DTZ model shows how this funding stream can be maximised over the life of the enterprise zone to 2038 by investing in infrastructure. The recommendation is that Herefordshire Council will fund the interventions specified in Scenario 3 and the other two authorities agree that those investments and associated costs are repaid from the business rates accrued.
11. £100k a year from the additional business rates will be used to meet the running costs of the Marches LEP from 2016/17 onwards.
12. If the Wye river crossing does not progress it is estimated that the additional investment will accrue an additional £7.8m over the 25 year life of the enterprise zone. This will be available for re-investment by the LEP, this amount includes the £100k allocated for running costs.
13. If the Wye river crossing does progress it is estimated that the additional investment will accrue an additional £40.9m over the 25 year life of the enterprise zone. This will be available for re-investment by the LEP. This amount includes the £100k allocated for running costs.

Legal implications

14. The business rate relief retention concession is set out in Government legislation and regulation.
15. The agreement on the investment approach will need to be followed up with a formal agreement between the three authorities on collection and usage of the rates relief.
16. Herefordshire Council will follow its own established procedures in resourcing and procuring the interventions approved.

Risks, opportunities and impacts

17. The principal risk to the model's success is the failure to deliver the river Wye crossing which would limit the extent of development on the enterprise zone. This will be mitigated by the adoption of the Core Strategy in 2015 and the on-going collaboration between key public bodies and developers to ensure the delivery of the growth planned in the core strategy and the associated transportation infrastructure.
18. An associated risk lies with Herefordshire Council in terms of making the interventions without the consequent business take up on the zone and business rate

generation. This is mitigated by the experience of the first two years of operation, and a thorough and independent evaluation of assumptions by DTZ in order to develop a realistic intervention and take up scenario.

19. There is a significant reputational risk for the Marches LEP if a decision were taken not to seek to develop the zone out in full. In particular central Government would question why an opportunity was not grasped to maximise the economic benefit of the enterprise zone and to generate significant income locally for use by the Marches LEP to create further economic benefit.
20. Scenario 3 provides a significant opportunity to generate a net benefit of over £40m of funds for the Marches LEP's usage over the enterprise zone's lifetime, as well as £100k a year to meet running costs.
21. The impact of Scenario 3 is expected to be a significant component of the success of the Marches LEP. Using standard econometrics, full development and occupancy would result in £180m of new construction work, almost 1.5m sq ft of new workspace, over 4,000 gross jobs and a consequent £100m a year boost to the Marches 'gross value added' – the nationally adopted measure of the contribution to the economy of each individual producer, industry or sector.

Consultation

22. The subject of this paper has been considered at two Marches LEP board meetings, with a detailed review and consideration by officers from the three authorities within the Marches LEP between meetings.

Additional Information

- None

Appendices

- None

Background papers

- None