Herefordshire Council

Minutes of the meeting of the Connected Communities Scrutiny Committee held in Conference Room 1 - Herefordshire Council, Plough Lane Offices, Hereford, HR4 0LE on Wednesday 13 November 2024 at 10.00 am

Committee members present in person and voting:	**Councillors: Bruce Baker, Frank Cornthwaite (Vice-Chairperson), David Hitchiner, Ed O'Driscoll (Chairperson), Roger Phillips and Diana Toynbee**

Others in attendance:

R Allonby	Service Director Economy and Growth	Herefordshire Council
L Cousins		Three Dragons
L Easton		
J Higgins	Democratic Services Support Officer	Herefordshire Council
S Holland	Interim Head of Housing Development	
H Merricks-Murgatroyd	Democratic Services Officer	
M Pearce	Managing Director	
D Webb	Statutory Scrutiny Officer	
D Wright	Head of Economy and Regeneration	

21. APOLOGIES FOR ABSENCE

No apologies were received.

22. NAMED SUBSTITUTES

There were no named substitutes.

23. DECLARATIONS OF INTEREST

The Chairperson confirmed that Ross Enterprise Park is located in his ward. However, it was confirmed that there was no need for the Chairperson to leave the meeting for the Enterprise Zones item.

24. MINUTES

The minutes of the previous meeting were received.

Resolved: That the minutes of the meeting held on 15 October 2024 be confirmed as a correct record and be signed by the Chairperson.

25. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

26. QUESTIONS FROM MEMBERS OF THE COUNCIL

No questions had been received from councillors.

27. ENTERPRISE ZONES

The committee considered a report on Enterprise Zone. The Chairperson introduced the officers to present the council's report.

The principal points of the discussion are summarised below:

1. The Service Director, Economy & Growth noted that the main focus of the work was to address the lessons learned from the successful development out of Hereford Enterprise Zone, rebranded as Skylon Park, from around the last ten years.

2. The Managing Director Skylon Park reiterated the intention of the report to set out the background and history to the Enterprise Zone and the approach that has been taken to for Rotherwas and Hereford Enterprise Zone.

    a. The choice that was made was to set up an independent, strategic, non-trading and non-asset owning limited company, chaired by the private sector to oversee the marketing promotion and advocation for the enterprise zone. Therefore, a company was set up, arms-length from the council, to take forward the support and approach to raise the profile and identify potential sales.
    b. A Local Development Order was created which then gives presumption in favour of planning permission for certain classes of development.
    c. There is a board and small support team with a connection back through the economic development team into the various parts of the council including legal and finance. The enterprise zone company makes a recommendation and formal decisions are taken by the council. The support teams' budgets remained with the council and the council held the decision-making processes that sat behind land sales and budgets that support the enterprise zone.
    d. In the case of Rotherwas, there is a need to invest in the land to make it investable.
    e. In relation to lessons learnt, a number of areas were touched upon as areas that could be learned from including the consideration of each location is important and therefore business interest and the type of business interested in locating in that particular location is highly relevant. Ross is more accessible to the motorway network than Rotherwas. Additionally, the establishment of local governance is important in terms of private sector and local stakeholder involvement and thus it is important to establish clear terms of reference for any board or partnership.

3. The Service Director, Economy & Growth clarified on the ownership structure that it is council owned land but the council will sell the freehold of sites to interested businesses which is the preference of business to own and invest in the develop and then own the land. The council will then be responsible for the wider management of the estate and will be for the foreseeable future.

4. In response to a question on what is happening to the saving of business rates and what happens to that money, the Service Director, Economy & Growth noted that there is a time lag between investing in the process before receiving significant amounts of income generated. The government requirement is that any of the retained business rate above the 50% that funds council services has

to be spent on economic development activities that can be across the county not only the enterprise zone. There is currently a review with the Cabinet Member Economy and Growth and the Cabinet on how and when that money can be invested to support economic activity across the county.

5. In response to a question about whether the company or business plan comes first, the Managing Director Skylon Park confirmed it was the company first. However, before that, the council needs to be clear about what powers it wants to give out to another organisation. With the enterprise zone limited, decisions on land sales and the budget that supports it remains with the council.

6. In response to a question about what the timeline is for establishing the management company and whether it will be happening before workmen start on-site, the Service Director, Economy & Growth noted that the company that has worked on the Hereford Enterprise Zone has focused on the promotion of the enterprise zone and the land that is ready to be sold. When businesses come forward for that land, the expertise around the table helps to consider the placement strategy to identify on a case-by-case basis whether those businesses are right to deliver jobs in the right sectors for the county. Currently, for Ross Enterprise Park, work is ongoing to develop the physical environment prior to the bringing forward of the role of the board to attract the right type of businesses on there. It is hoped that work will begin on-site in Spring 2025 with an approximate 12-month period to create the development ready plots.

7. In addition, the Managing Director Skylon Park noted that once activity starts to happen in terms of infrastructure investment in opening the site that will transform interest levels. By Autumn 2025, it is hoped that there will be clarity in terms of businesses wanted to see there, how to approach them, and how to market. The company itself is a simple structure to put together.

8. The Chairperson acknowledged that it would not be difficult to set up, however, it is important who is on that board to steer the company and that should be ready in time when people arrive on site.

9. The Managing Director Skylon Park added on Ross that the initial investment is to open up 4 acres, the planning permission is for over 25, and there is a lot of land allocated for employment land purposes immediately adjoining the location. The structure needs to be looked at in terms of the longer-term perspective and not only the initial investment.

10. The Service Director, Economy & Growth noted that in addition to Ross Enterprise Park, there is consideration of how to apply the lessons learnt to the county as a whole and that is more reflective of how progression is made in terms of the Local Plan and the National Planning Policy Framework (NPPF) consultations on mandatory housing targets.

11. The Chairperson asked how much has been spent of the money that has been allocated in the current financial year, how much will be carried over, and what will be asked for in the revenue budget next year to make sure that adequate funding is allocated to lead the development and delivery.

12. In response, the Service Director, Economy & Growth noted that:

    a. In the capital programme last December, £12m was allocated in terms of capital receipts funding for development of employment land across the county - £8m has been ringfenced to do this first phase of development in Ross.

b. There is a Cabinet Member decision which allows £500,000 to be spent on the finalisation of designs and going through the procurement process which will take proceedings through until March.
c. Another Cabinet Member decision will be required once procurement has taken place to appoint a contractor to spend the other £7.5m on the investment on infrastructure into that site.
d. In terms of revenue budgets, there is some allocation within the economic development budget to support the development of employment land which could help establish the board, business plan, and operation.

13. In response to a question on the possibility of work showing value resulting from the enterprise zone, the Service Director, Economy & Growth noted that resource has not been allocated into commissioning an external study on the impact of the Hereford Enterprise Zone but it is something that could be done in the future.

14. In relation to a question on the ownership of the site as referenced in paragraph 4 of the report, the Managing Director Skylon Park clarified that the reference was in relation to the origin of the enterprise zone. There are council assets which have been built and retained including Skylon Place, Skylon Court, and the Shell Store. Individual plots have been sold off and businesses have been insistent in owning the freehold for those plots.

15. The Head of Economy and Regeneration added that in relation to the potential study on the impact of the businesses would be useful. It was clarified that when the businesses locate on to the enterprise zone, the council undertakes a key account management approach where a long-term relationship is developed with the businesses to see how they are progressing.

16. It was noted that the lessons learnt from neighbouring industrial and economic strategies would be helpful in comparing and contrasting with business parks in neighbouring counties.

There was a short adjournment to enable committee members to consider potential recommendations. The meeting recommenced and the following resolutions were agreed by the committee.

Resolved: That Herefordshire Council

1. **Create a management company with a volunteer board for Ross Enterprise Park by 31 March 2025, in order to develop the park's business plan with officer support.**

2. **Ensure adequate revenue funding is allocated in 2025-26 to lead development and delivery of Ross Enterprise Park, including management company support.**

3. **Consider the business case for retaining some or all of the freehold land as an asset for Herefordshire.**

4. **Retain at least one unit as a business incubation centre for south Herefordshire.**

5. **To collect data to measure the economic and social impact of Hereford Enterprise Zone, to compare and contrast with business parks in neighbouring counties.**

28. LOCAL AUTHORITY HOUSING DELIVERY MODELS

The committee considered a report on commissioned research into housing delivery models in other local authorities by Three Dragons.

The Chairperson introduced the officers and representatives from Three Dragons to present.

The principal points of the discussion are summarised below:

1. The Service Director, Economy & Growth noted that there was an item on delivery models around delivery of affordable housing around the county at October's meeting. It was noted that a final report be brought back to the committee to review the key findings before final recommendations are made to Cabinet.

2. The Chairperson asked the representatives from Three Dragons what the possible sources of funding are that the council should be looking at to deliver the suggested pilot site for housing.

3. In response, Lin Cousins (Three Dragons) noted that with development companies, the other local authorities have used their own funding to start with on the basis that over time there will be a return.

4. In response to a question about how registered providers (RPs) can be helped who are under financial pressure and why are registered providers cautious about involvement in section 106 schemes, Lin Cousins noted that RPs are cautious about s106 schemes because they sometimes have issues around the types of units they are asked to pick up from the developers and because they are usually not eligible for any grant funding from Homes England. When they develop their own sites (100% affordable housing), they are then eligible for Homes England funding.

5. In response to a question about the impact of the Budget on Homes England spending plans, Lin Cousins noted that the direction of travel looks like there will be a priority given to social rent units rather than affordable rent units and there is more money for the tail-end of the current programme and an allowance for the next programme.

6. Laura Easton (Three Dragons) added that if the council were to go down the s106 route on one of those sites, talking to the RP early on would be useful to ensure that the council would be developing the type of units that they would want to take.

7. The Interim Head of Housing Development noted that in terms of RPs being interested in s106 agreements, there are certain rural locations where they do not have resource and therefore struggle to manage and maintain those properties. In terms of type, they are reluctant to take on one-bedroom properties of which there is a demand for those types of properties in Herefordshire.

8. The Chairperson asked whether the council has come across any ways to encourage developers to build one-bedroom units.

9. In response, the Interim Head of Housing Development commented that one-bedroom units are problematic for developers and in terms of innovative solutions, the council is going for affordable market rent in locations where there is a planning application that has come in with an affordable housing requirement. However, the council is unable to get a RP to take those plots and

therefore is letting the developer to rent them out in a different way rather than having to include an RP.

10. The Chairperson asked which of the local authority delivery model examples was recommended for use as a pilot scheme.

11. In response, Lin Cousins suggested that a combination of short-term and long-term measures may be adopted including such as the council may want to begin with some modest interventions in getting involved in delivering sites such as the aforementioned dialogue with RPs. Additionally, a bundle of sites may be offered to RPs to make it more commercially viable for them.

12. In relation to the list of Herefordshire Council owned sites, the Interim Head of Housing Development noted that the list was reached by looking at all sites that were owned by the council which can be delivered in the short-term to get stock into the marketplace.

13. In response to a question on which site would be recommended in the short-term, the Interim Head of Housing Development suggested smaller sites such as Bromyard, Holme Lacy, Plough Lane, and parts of Merton Meadows with 100% rental properties with a mixture of market rent and affordable rent.

14. The Service Director, Economy & Growth caveated that potential developments on the list of council owned sites are subject to business cases, planning permission, and other processes first.

15. In response to a question on the timeline and what is needed in next year's budget to get this started, the Interim Head of Housing Development noted that a number of sites are currently in the process of planning permission and viability studies.

16. In response to a question on how longer-term ambitions are realised, Lin Cousins suggested dialogue with other local authorities to explore in greater detail why they took the decisions they did and how they set about doing it.

17. In response to a question on what the council needs to do in relation to audit and governance, the Service Director, Economy & Growth acknowledged the housing problem that the county has that includes both a short-term and longer-term provision. The focus is now on how the structures are being created to help both in the short and long term.

18. Lin Cousins added that in the research carried out by Three Dragons, it was found that where joint ventures and development companies were set up well at the start, they do over the longer-term make a return to the local authority.

19. It was noted that another potential source of funding for housing could derive from pension funds including the Local Government Pension Scheme.

20. In relation to the suggestion of considering options to ameliorate the wait for phosphate credits, the Chairperson asked how the council could do this.

21. The Service Director, Economy & Growth responded that the council can set the criteria for which they allocate the credits out. At present, that has been addressing the backlog of planning applications that have been with the council for a number of years. In addressing nutrient neutrality, is a bigger issue of how the right type of housing is brought forward.

There was a short adjournment to enable committee members to consider potential recommendations. The meeting recommenced and the following resolutions were agreed by the committee.

Resolved: That Herefordshire Council

1. **Progress at pace a pilot project to develop smaller sites owned by Herefordshire Council, subject to planning conditions and business plan.**

2. **Identify and begin the process of setting up a development company, using the lessons learned from other local authorities identified in the report.**

3. **Consider prioritising phosphate credits for developments with a higher percentage of social or affordable housing, such as those in the pilot project.**

4. **Explore Local Government Pension Scheme options for funding the delivery of affordable housing.**

5. **Report these recommendations to the council's housing development working group.**

29. WORK PROGRAMME

The Statutory Scrutiny Officer presented the draft work programme for scrutiny committees for the municipal year 2024/25.

The Chairperson noted that he had met with officers to look at the Local Transport Plan that is scheduled to come to the meeting in January 2025.

The Statutory Scrutiny Officer confirmed that the committee will be looking at the draft delivery plan rather than the objectives in relation to the Local Transport Plan.

The Chairperson added that there had been a discussion with officers about the proposed Market Towns Investment Plans item. In relation to the Hereford City plan, there was a feeling that the Hereford City plan would be too big to be included with the Market Towns Investment Plan and it therefore should be included separately in a future meeting. It was noted that the clerks of each market town should be invited to attend the Connected Communities Scrutiny Committee in January to report on their views on the Market Towns Investment Plan. It was added that the Hereford City plan would be moved to the March 2025 meeting.

In relation to the Cultural Strategy 2019-2029, the Chairperson added that he would like to hear from external voices including, for example, rural media.

In response to a question about an update on the transport hub, it was noted that this would come under the city masterplan in March 2025.

30. DATE OF THE NEXT MEETING

The next scheduled meeting in public was confirmed as Wednesday 15 January 2025, 10:00 am.

The meeting ended at 12.44 pm **Chairperson**