

**Draft Co-operation Agreement between
Herefordshire Council ('the Council')**

AND

Advantage West Midlands ('the Agency')

The purpose of this Co-operation Agreement is to provide a management and financial framework that will govern the work of the Council and the The Agency in bringing about the regeneration of the Rotherwas Industrial Estate, Hereford.

In general, Herefordshire Council and Advantage West Midlands establish this Agreement in accordance with the following principles:

1. Agreement is founded on a spirit of openness and partnership. Neither party will have recourse to the other in the event of a failure to adhere to the principles and terms of this agreement.
2. Herefordshire Council and the Agency will approve this agreement and both parties will inform relevant staff and members of their organisations of this Agreement and brief them on its content and implications for them.
3. Compliance with the agreement will be reviewed on a regular basis by the Chief Executive of Herefordshire Council and the (insert position) of Advantage West Midlands although the day to day aspects of this will be undertaken by a Joint Advisory Committee made up of one suitably qualified and experienced officer from both organisations. In the event of non co-operation both individuals will meet and agree measures to rectify problems and/or revise this agreement.
4. The Council will continue to be solely responsible for the ongoing maintenance of its property holdings at Rotherwas Industrial Estate. It will continue to collect and retain rental income in respect of occupational leases. The income from the granting of long term leases on phase 1 and 2 and the refurbished buildings will be ring fenced for re-investment into the estate.
5. The Council will and continue to promote the proper planning and economic development of the area in accordance with its statutory responsibilities and general and specific policies.
6. The Agency will not limit its role in bringing about the regeneration of sites and the wider economic development of the area in accordance with the Vision for the area as defined in the (document title, date).

This agreement specially relates to the land identified as Phase 1 and 2 on the attached Rotherwas Futures Masterplan and the existing industrial and business property owned by the Council at Rotherwas Industrial Estate. Land and property shown as Phase 3 and 4 on the attached Masterplan are included in general terms of this Agreement, but with no specific commitment by either party to invest.

The agreed objective of both parties to achieve the regeneration and development of Rotherwas Industrial Estate are:

- A. Direct investment in existing vacant property to bring it back into use or partnering with the private sector to achieve the same objective (where there are benefits of doing so).
- B. The effective management of the estate so that Herefordshire Council's properties remain fit for purpose, rents are paid and collected in a timely fashion, lease obligations properly enforced, un-let properties are quickly re-let, buildings and public areas properly maintained and potential partnering opportunities with the private sector clearly defined and advertised.
- C. Securing the delivery of the Rotherwas Access Road in order to deliver the project objectives.
- D. Commissioning studies associated with planning, environmental issues, flooding, infrastructure and reclamation and ensuring that where required the studies/reports can be relied upon by a Third Party wanting to implement a project proposal.
- E. Direct investment in land reclamation, infrastructure, flooding relief work and environmental improvements necessary to bring site forward on Phases 1 and 2 of development.
- F. Marketing and disposal of serviced plots in Phase 1 and 2 to deliver financial return and economic development
- G. Commitment to review the Partnership at the completion of Phase 2 or earlier and give consideration to delivery of phases 3 and 4 of Rotherwas Futures.

The 'Agency' will:

- I. Agree to invest up to £9.5m of capital funds in the project, particularly items C, D and E above subject to full Agency approval. The principal terms of the agreement will include:
 - A return on investment based on proportion of disposal proceeds, potentially included a guaranteed return;
 - Draw down of investment in financial years '07 and '08;
 - Delivery of economic outcomes and outputs applicable to Phases 1 and 2, set out in the Rotherwas Futures Report;
 - Agency investment secured by way of a rolling charge against the Council's land interest in Phases 1 and 2
 - The Agency's standard terms and conditions
- II. Agree to review its commitment to the implementation of the Masterplan at the completion of Phase 2.
- III. Use all reasonable endeavours to promote Rotherwas Industrial Estate as a location for investment and to assist in marketing the development opportunities created through its wider activities.

The 'Council' will:

1. Deliver construction of Rotherwas Access Road and completion of Phases 1 and 2 of the Rotherwas Futures Masterplan.
2. Develop and implement a system of Key Performance Indicators that will be used to monitor the effective management of the Rotherwas Investment portfolio on an annual basis. Appropriate KPIs include the following:
 - 2.1 Rent arrears: -size, age and number of individual tenancies that are subject to arrears.
 - 2.2 Voids: - number duration and size (in terms of sq.m. and lost rent based on ERV)
 - 2.3 Time taken from prospective lessee returning completed application form to a lease being granted (in line with the Council's letting policy under the Comprehensive Equality Plan).
 - 2.4 Time to agree terms with respect to rent reviews and lease renewals including the number of tenants that are 'holding over' at any one time.
 - 2.5 Details of any outstanding dilapidations claims and progress in enforcing repair obligations as the law permits.
3. Complete a condition survey of existing properties under its ownership at Rotherwas by no later than April 2007. Invest up to £1.3m from capital reserves, or other sources, in an investment programme designed to bring all occupied and unoccupied properties to a standard that is 'fit for purpose' for general light industrial use by 30 May 2008, subject to each such property having an agreed minimum pay-back period or an agreed minimum Internal Rate of Return and subject to the provisions set out in Clause 7 below regarding the Council's requirements regarding the minimum level of income to be achieved each year from the Rotherwas estate.
4. Develop, implement and act on the findings of an annual or rolling survey of tenants aimed at achieving the right balance between the Council's economic development and commercial objectives. Such a survey would be completed by 30 September in each year commencing 2007 and cover:
 - 4.1 Name and size of company in terms of turnover, profitability and whether opting to tax rents would damage the viability of their businesses.
 - 4.2 A description of the main activities undertaken by Rotherwas.
 - 4.3 Number of employees both full and part time (ideally with a total FTE equivalent calculated).
 - 4.4 An assessment of whether tenants are complying with the conditions under the lease and the need to take action to ensure compliance where necessary.
5. The Council will be:

- 5.1 'Opting to tax' rents and lease premiums on such properties on all development where the Council has invested capital funds as a matter of course.
 - 5.2 Continuing to grant non-FRI leases to occupiers as a way of ensuring compliance with lease terms where appropriate.
6. To establish a separate 'Rotherwas development account' from which all rental and land sales/lease premium income will accrue on a 12 months basis relating to the additional income. All direct costs associated with the effective management of the Rotherwas estate will be deducted from this account on an accruals basis. The Council will require a minimum level of net income (excluding capital charges) from the estate each year, to support its revenue budget as follows:
 - 6.1 In 2006/7: £912,960
 - 6.2 In 2007/8: £937,927
 - 6.3 In 2008/9 £963,518
 - 6.4 In 2009/10 £989,749
7. Commission and fund studies from the 'Rotherwas income account' (additional income) to support project objectives including the following:
 - 7.1 Relevant technical reclamation and flooding analysis as set in a brief to be agreed by November 2007.
 - 7.2 Management and marketing strategy for the Rotherwas Estate.
8. From the date of this Agreement to contribute all receipts received from the sale of long leaseholds for development land within the Masterplan boundary for investment in connection with the principles as set out above.
9. Agree to invest a limit of £5.5m in activities in C, D and E
10. Use reasonable endeavours to secure third party contributions to project funding.

The 'Rotherwas income account' will be maintained until after the completion of Phases 1 and 2 (unless otherwise agreed by both parties). After completion of Phase 2 the development account will be closed and the dispersal of any surpluses over and above the minimum income levels set out in Clauses 6.1-6.4 will be distributed equally between The Council and AWM.

Updated 14th September 2006