

TELFORD & WREKIN COUNCIL**CABINET - 26 APRIL 2012****INWARD INVESTMENT – A BUSINESS WINNING COUNCIL****REPORT OF ASSISTANT DIRECTOR: DEVELOPMENT, BUSINESS & HOUSING****LEAD CABINET MEMBER: Cllr C Smith – Housing, Regeneration & Economic Development****PART A) – SUMMARY REPORT****1. SUMMARY OF MAIN PROPOSALS**

1.1 To develop a coordinated approach to inward investment and to respond to Jaguar Land Rover relocation in Staffordshire. To ensure Telford maximises the opportunity from the Jaguar Land Rover supply chain, making Telford the destination of choice for inward investment. To deliver quick wins in relation to our approach to inward investment as part of the major change programme towards becoming a 'Business Winning Council' as set out in the co-operative commission recommendations.

2. RECOMMENDATIONS

2.1 That Cabinet provide delegated authority to Assistant Director: Development, Business & Housing, in consultation with Cabinet member for Resources & Service Delivery to develop a policy regarding business rate relief as detailed in Section 5.

2.2 That Cabinet approve the early draft prospectus in Appendix 1 and provide delegated authority to Assistant Director: Development, Business & Housing, in consultation with Cabinet member for Housing, Regeneration and Prosperity to amend and complete the document before formal launch.

2.3 That Cabinet approve the use of the detailed document in Appendix 2 as briefing information for staff and partners to proactively target marketing to secure inward investment.

2.4 That Cabinet approve the allocation of funding as identified in section 5 to proactively market the Telford inward investment offer.

2.5 That Cabinet approve that the Council acts as managing agent for all HCA commercial land as detailed in section 5 of the report.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	A growing local economy to create jobs
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	Launch prospectus in May/June 2012 following Consultation with Stakeholders.	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	There are financial implications which are detailed in full in Section 5 of this report.
LEGAL ISSUES	Yes	There are no direct legal implications arising from the recommendations contained within this report as full and detailed legal advice will be provided throughout the development of the policies; which will be approved by Cabinet once developed. In addition, the details regarding business rate changes post April 2013 are not yet known so this area will need to be considered further on an ongoing basis.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	Please refer to section 5
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

4. INFORMATION

4.1 As a Co-operative Council, we are dedicated to working in partnership with public and private sector organisations to deliver jobs and economic activity in our Borough. We have the right mix of skills, the workforce, the land, the infrastructure, the drive and desire to be a modern centre of excellence for inward investment and in particular to develop our existing automotive sector as part of the Jaguar Land Rover relocation to i54 in Staffordshire. Telford is about growth and prosperity, creating jobs and investment opportunities; Telford, a place to visit, locate and live.

4.2 Telford & Wrekin offers a complete package for inward investors unique in the West Midlands region. A summary of our key advantages in the context of inward Investment relating to the Jaguar, Land Rover supply chain:

- Location
- The Right Business Location
 - Favoured location for Tier 1 and Tier 2 automotive suppliers
 - Business networks
- Skilled Local Workforce
- Logistics & Connectivity
- Availability of Development Land and Buildings
- The Financial Offer and incentives
- High Quality Housing
- Regional Leisure and Shopping Centre
- A 'can do', Business Winning Council

4.3 Telford is extremely good value for money for both living and working. House and land prices, rents, business rates and employment costs are all below average and regional levels. The table below compares house prices in Telford to other areas of the UK which again reinforces Telford's status as a cost effective location. 'Rightmove' national house sale agents have stated that the gulf between the average asking price for houses in the south as against the north is currently the biggest ever recorded.

Location	Average House Prices
UK	£161,588
Telford	£126,170
Shropshire	£156,146
Staffordshire	£131,419
West Midlands region	£130,323

(Average House prices in February 2012 Land Registry of England & Wales. www.landregistry.gov.uk/houseprices)

4.4 Telford is one of the fastest growing areas in the West Midlands. Our location and accessibility provides a real opportunity for inward investment, with the Borough just 13 miles from i54 (Jaguar, Land Rover location) connected though the M54, a well connected rail freight terminal and excellent road access to all parts of the country with potential further improvements to Northbound connecting the M54 to the M6 Toll Road. Capacity on the M54 motorway, as well as on the four M54 junctions which serve Telford (Junctions 4, 5, 6 and 7), has been shown to exceed current as well as planned developments in the Borough and as such can offer uninterrupted access to all parts of Telford. The capacity of the road network in and around our major industrial estates and prime new sites is capable of accommodating increased traffic movements. As such Telford boasts a compelling strategic location with excellent connectivity to both customers and suppliers.

4.5 Telford is in the unique position of being able to offer a wealth of public owned land, primed for development and available at competitive prices (Appendix 2 briefing document). The availability of commercial land in Telford is far greater in relative terms than any of the other major employment centres in the West Midlands and with the protocol in place with the HCA the Council (see section 5.3) are now able to offer a range of flexible development packages across all public sector land, including turn key solutions (fully designed and constructed) and payment arrangements designed to deliver an environment in which companies can locate and flourish.

- 4.6 Land is available throughout Telford & Wrekin, with a net developable area of 167 hectares; the commercial sites are mostly located adjacent to adopted highway with main services and telecommunications readily available for connection, and capable of accommodating bespoke designs tailored to the specific needs of each business. 109 hectares of land is located in Hortonwood and The Nedge which are committed for employment uses as detailed in Appendix 2 of briefing document.
- 4.7 An established location to the north of Telford, Hortonwood is one of Telford's premier commercial areas. With excellent communication links to the Rail Freight Terminal and Junction 5 of the M54, Hortonwood is already the choice location of a number of high profile companies, including Heinz Single Service, Hager, Creamer, Schwabe and Golden Bear Products. Hortonwood offers 80 hectares of developable land, from a single hectare up to 32 hectares and is capable of accommodating a whole manufacturing process in a single location.
- 4.8 The Nedge is located to the south east of Telford, and accessible from Junction 4 of the M54. The location comprises four plots with infrastructure, services in place, roadside frontage and offers a net developable area of 22 hectares. The site provides a unique opportunity and the ability to join those already enjoying the benefit of an outstanding mature green environment including, Smartwater Technology, Synnex Information Technologies (UK) Ltd and Trac Measurement Systems Ltd. The availability of large sites at both locations means that Telford is very capable of meeting demand from major companies in the manufacturing and distribution sectors with space requirements exceeding 50,000sq/ft.
- 4.9 **Jaguar, Land Rover (JLR) Opportunity** - To meet the demands of high sales in Asia, JLR's new engine plant at the i54 site in Wolverhampton will create around 750 additional jobs within the company and an estimated 2,200 jobs within its supply chain. Just 13 miles from Telford, the new plant in Wolverhampton will join other Midlands based plants in Solihull and Castle Bromwich as well as the birth place of the new Range Rover Evoque in Halewood, Liverpool.
- 4.10 Sales are showing huge improvements, boosted by the various upgrades including the new Jaguar XJ and updated versions of the Land Rover Discovery and Range Rover Sport. Over the year to date, sales are up by nearly a fifth worldwide, within which Jaguar sales are up by more than 7 per cent, Land Rover by more than 25 per cent. All of this is prior to the launch of the Range Rover Evoque, which is expected to prove as popular as the Freelander.
- 4.11 JLR is already playing a central role in efforts to revive the UK's automotive components supply chain; an example of this is the £2.5bn Range Rover Evoque contracts to the supply chain. As part of the investment in India, it has taken around a year to set up the supply chain, which involves all parts being delivered to JLR's Halewood factory, packed into a container and shipped to India for assembling. Although output may be small initially, longer term, the facility could meet a significant element of the demand from India which will be a major customer base. This second phase of the JLR expansion plan with import/export anticipated via Ellesmere Port puts Telford at the heart of potential operations through the direct rail link and rail freight terminal as well as good road infrastructure connections. The investment plan does not stop at India for JLR as they sold 27,000 cars in China last year and is aiming for a significant increase in 2012.
- 4.12 The Company has relocated its 170 strong advanced research team to Warwick University to forge closer links, and plans to spend significant resource on collaborative research over the coming years. They also have an eye on opportunities to spin off technologies developed for JLR. The kinds of trends that are likely to feature in the next 10 years could include:
- Relentless pressure for lower costs and higher quality from Original Equipment Manufacturers (OEM's)
 - Automation of production lines
 - Development of 'Additive' or 'Layered' manufacturing techniques (3D Printing)
 - Move to higher-value engineering services
 - Smarter supply-chains and localised sourcing
 - Collaborative R&D between competitors

The group already spends £1bn a year on Research & Development, a budget set to increase further with the extra 1,000 engineers currently being hired for Gaydon, not to mention the 1,500-strong recruitment drive to build the Range Rover Evoque at Halewood

- 4.13 JLR will design, engineer and manufacture a completely new family of advanced low-emission, 4-cylinder petrol and diesel engines. The site will eventually produce in excess of 500,000 engines per year which create the need for world class logistics solutions and new skills in the supply chain, particularly in the area where traditional mechanical engineering meets electrical engineering and electronics, a change that has already happened in the engineering teams at the most profitable OEMs. Telford is well placed to support businesses in the JLR supply chain and wider advanced engineering business sector.
- 4.14 **The Telford offer (full details are included in the briefing document in Appendix 2)** - To support this drive Telford is developing an innovative approach to dealing with these new skills demands to both support new jobs being created at the i54 site and potential opportunities for vacancies being opened up in the local supply chain. A key partnership has formed to link the brand new Science Technology, Engineering & Manufacturing (STEM) Discovery Centre at Telford College and the automotive and aero-nautical expertise at the University of Wolverhampton. It will focus on three key areas:
- Supporting local people with the skills needed to enter this recruitment process and supporting candidates into local jobs if unsuccessful.
 - Developing the next generation of staff to fill vacancies through local staff moving to JLR
 - Creating and delivering an industry standard skills programme with Wolverhampton and Warwick Universities to offer the skills JLR demand
- 4.15 In addition to many international firms Telford is already a favoured location for a number of automotive Tier 1 and Tier 2 suppliers, this includes:
- Stadco – Automotive body-in-white products and services
 - Denso – Air Conditioning equipment and Services
 - Johnson Controls – Motor vehicle body components and seating
 - GKN Sankey - Driveline systems, chassis, engine internals and associated components.
 - Borgers - Acoustically efficient components for automobiles
 - Cobra Seats – Motorsport Seating
 - TI Automotive – Pumps, Tanks and Module Systems
 - Grainger & Worrel – Motorsport casings
 - Mahle Filter Systems – Piston, Cylinder and Valve Components

We must promote the strong foundation detailed above as part of our pitch to suppliers and to work with these existing companies to understand their business needs be that for expansion, skills development or financial incentives.

- 4.16 Telford is delivering significant investment in our secondary schools with many new schools and an overall investment in the Building Schools for the Future programme of over £150m as part of transforming the learning experience in our schools. The strong partnerships with Telford College of Arts & Technology, New College, Wolverhampton University and Harper Adams University College provides opportunities for skills to respond to the current and future markets and ensure our labour force is skilled and our young people are ready for work. We already have many major international companies in Telford and strong links in place with the automotive and advanced manufacturing sectors.
- 4.17 A key priority for the Council relates to growth, job creation and economic development and this will be further embedded through our new Council structure and operation of the organisation. Teams leading on planning, property, economic development, regeneration and housing are co-located and will work seamlessly to deliver a client focussed service to all business inquiries. All businesses seeking to locate or expand locally will have a single point of contact tasked with ensuring requirements whether in relation to identifying the right land or location, securing free planning advice to support and facilitate delivering the right solution. Once investment has been made in the Borough this custom tailored approach continues with a high quality aftercare service ensuring future requirements whether to source skilled employees, expand, relocate or looking at ways to support companies help themselves through business networks, are addressed. Underpinning the new structure will be a Development & Planning Charter which forms part of another Report on the Cabinet Agenda of 26 April 2012.
- 4.18 Telford has many selling points for inward investors but attention also needs to be paid to how the opportunities are marketed to investors and particularly relating to the JLR supply chain. The early draft Prospectus at Appendix 1 summarises the opportunities but needs to be packaged to

investors. The briefing document describing the offer in more detail in Appendix 2 to ensure a consistent and coordinated offer is taken to all investors through tracking and chasing to ensure we are proactive in our approach to secure investment rather than waiting for opportunities to be presented. We are working with a specialist marketing company who have already worked on i54 and the JLR offer as part of securing the JLR investment at i54. They also have commercial background and a number of tools including a brochure, direct marketing materials and links to the existing inward investment website allowing the Council to target messages to the right audience.

- 4.19 Through the Marches LEP, we will continue to lobby the LEP and Central Government to allocate areas in Telford as an Enterprise Zone. As part of the Marches LEP, the Government allocated a site in Hereford to be an Enterprise Zone. Recently, Central Government have suggested that further Enterprise Zones could be allocated; Telford is a prime location for Economic Investment and importantly to support the Jaguar, Land Rover Relocation.

5. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

- 5.1 **Finance** - Business rate options - The Government has undertaken initial consultation on proposals for a scheme of business rate retention which is expected to replace the current system of local government finance. The Business Rate Retention Scheme will operate from 2013/14 onwards and is designed to provide strong incentives for local economic growth and move towards local decision making. However, further consultation on specific proposals on details of how the scheme will actually work and the level of local discretions to be allowed is expected in late spring/early summer. Detailed regulations are not expected until the autumn and the Council will therefore need to keep this developing regulatory landscape under review in order to assess the opportunities that changes in the local government financial framework offer to enable the Council to better support local businesses and attract inward investment before finalising its offer. Changes proposed will enable Councils to keep a share of growth in business rates in their area. This will make councils more financially independent and give them strong financial incentive to promote business growth. However, the actual share of additional business rates to be retained by Councils is unknown at this stage. If the Council was able to develop a policy offering a 100% rebate for some new businesses but only a proportion of this additional rates income was retained by the Council the shortfall would increase the Council's budget gap increasing the need for savings elsewhere. However, development within the borough may attract additional New Homes Bonus grant and new jobs may reduce expenditure on benefits (under other changes the full cost of the new local council tax benefit scheme will be covered by the Council in future) and a holistic view of the likely impact, and timing, of proposals will therefore need to be taken. The Government is not proposing any changes to the way that properties are valued or how business rate levels are set, rate setting powers will remain under the control of central government and the evaluation process will remain unchanged.

- 5.2 In consideration of the proposed changes mentioned above, Telford & Wrekin have the opportunity to consider innovative ways to attract new businesses and demonstrate flexibility over business rate payment terms and the establishment of a "business rate discount" scheme may be one of the ways TWC seek to do this. Procedures could be established to offer:

- Business rate deferrals to assist with short term cash flow. Business rates are normally collected over a 10 month period. Deferrals could be offered to support business with cash flow challenges. Giving a cash flow benefit to certain business sectors that met criteria agreed by the Council would clearly have a cash flow cost to the Council which would impact on the Council's overall financial position. If business rates arrears were higher at financial year end the Council would also have to consider increasing its bad debts provision which would be a charge to the revenue account and these costs would have to be considered in finalising our proposals.
- Business rate discounts of up to a pre-determined amount per business over a pre-determined period. These discounts could be tailored towards business size, sector, and development area location within Telford and Wrekin and could apply to any new-build developments completed after April 2013.
- Government Enterprise zones attract business rate discounts of up to £275,000 per business over a 5 year period. This equates to approx £55,000 per annum. Based upon current rating values within Telford & Wrekin, this would result in the maximum discount being attracted by business units occupying more than 3,900 sqm. Business units smaller than this would not qualify for the full discount, but could qualify for it on a sliding scale. The table below demonstrates the maximum annual value of Business Rates forgone by the Authority on the

development land which could be brought forward over 5 years with first completions in 2013.

Area	Net Developable Area Sqm	Max Value of Business Rates Forgone p.a
Nedge West	26,750	£330,000
Hortonwood	86,600	£1,210,000
Halesfield	9,150	£110,000
Hadley	10,850	£110,000
Total	133,350	£1,760,000

The implementation of a sliding scale or predefined policy for the relief of business rates by the authority would limit this annual loss of income. We recommend that a policy is developed after the results of the Business Rate consultation paper are known. The bullet points and details above are for background information only.

5.3 **Land Disposals**

TWC and HCA are establishing a protocol to enable TWC Property Team to proactively promote the disposal of HCA employment land. This will provide an allocation of funding for the Council's Property team for staff costs which will be funded by HCA. The disposal of land is dependent upon a number of factors and the table identifies land areas which it is considered may be disposed of in the short to medium term and thereafter.

	Net Area (acres)
Nedge West	13.22
Nedge, future development	41.36
Hortonwood	196.51
Halesfield	7.35
Hadley	20.21
Other	134.83
Total	413.48

Ownership of land represents a combination of HCA and TWC assets, the details of which are contained in an Appendix 2. The success of this project will be dependent upon a number of factors, one of which will be accessibility to land and a simplified approach to the land disposal process. It is therefore proposed that flexible payment terms for freehold and leasehold land are available as part of this proposal. These terms will include the opportunity for deferred or staggered payment terms to potential purchasers.

5.4 £100,000 allocation of budget for is required for the development of launch information for Telford's offer and the sustained marketing throughout the short term funded from future capital receipts. A detailed marketing and inward investment strategy will be developed and regularly reassessed through the programme.

5.5 **Risks**

To fill the projected 750 jobs at i54, there will be many candidates that will go through the sophisticated recruitment process of Jaguar Land Rover, whilst this is a great opportunity for local residents, JLR will also recruit from Telford's local business who are worried they will lose skilled staff that will be difficult to replace. The highest demand will come for skilled workers in management, maintenance and production engineers, welders and procurement specialists.

5.6 Telford is competing with the majority of the West Midlands and NW Authorities to attract the JLR supply chain. It is also understood that many of the supply chain have contracts in place for a number of years. It is therefore important that our New Way of Working and marketing is focussed both on quick wins and on achieving over the short/medium term a sustained investment programme.

6. **PREVIOUS MINUTES**

6.1 None