

TELFORD & WREKIN COUNCIL**CABINET – 13 OCTOBER 2016
COUNCIL – 4 NOVEMBER 2016****ENTERPRISE TELFORD – DRIVING GROWTH AND PROSPERITY****REPORT OF ASSISTANT DIRECTOR: BUSINESS, DEVELOPMENT & EMPLOYMENT****REPORT OF LEADER, CLLR SHAUN DAVIES & LEAD CABINET MEMBER, CLLR LEE CARTER****PART A) – SUMMARY REPORT****1. SUMMARY OF MAIN PROPOSALS**

- 1.1 In May 2016, the Council launched its strategy for economic development; **‘Enterprise Telford: Driving Growth and Prosperity’**. A collaboration with the Telford Business Board the strategy is **central to the Authorities drive to increase income to invest into frontline services and to create jobs and build economic independence and aspiration amongst our young people – strengthening families and communities.**
- 1.2 Enterprise Telford builds on the Council’s business winning and business supporting approach which **over the last 3 years has seen more than £150m of business investment in the borough and the creation or safeguarding of more than 2,000 jobs.** These include:
- the £83m investment by the Ministry of Defence into the logistics hub at Donnington,
 - inward investment from major manufacturing businesses including
 - WZ (Moneta) Packaging,
 - The Recycling Group,
 - AXYZ and
 - Filtermist who invested in Telford’s flagship investment site, T54.
 - And significant expansions by existing Telford businesses including:
 - BAE Systems,
 - Stadco,
 - Craemer and
 - Heinz.
- 1.3 To underpin the Enterprise Telford offer to business the Council has established a **£20m Growth Fund** which is being used to invest directly into land and property enabling local businesses to expand and drawing in new investors. The investment fund is delivering new jobs and with **£14.7m already committed to borough wide schemes is set to deliver a gross income of £1.2m pa and a net income after**

borrowing of £400k pa - plus further income from growth in business rates. The investment is **having an impact across the Borough and will enable the delivery of a further 1000 jobs.**

- 1.4 The Fund has enabled the multi million pound investment by Magna International at T54 delivering in excess of 300 jobs and safeguarded more than 160 jobs in Newport following the Council's acquisition of the Audley Avenue Industrial Park.
- 1.5 Illustrating the impact of the Fund on local businesses and employees - on hearing confirmation of the Council's acquisition – owners of Jupiter Marketing Ltd – a longstanding tenant of Audley Avenue Industrial Park, said ‘

“We have a thriving business in Newport at the Audley Avenue Industrial Estate employing more than 160 staff, since establishing our business in 2001.

We had been concerned for some time about our future given the previous owner's intentions to sell the site – we were obviously aware of the possibility that it could be redeveloped for housing.

We have developed a local skills base and we have a strong association with the local area so we are delighted with the news that Telford & Wrekin Council has invested in the estate with the intention of retaining it.

We look forward to working with them in the future.”.

Mark & Yvonne Tweddle, Joint Managing Directors, Jupiter Marketing Ltd

- 1.6 Such is the success of the Enterprise Telford pledge to business, to maximise on our pipeline of investors it is proposed to **increase the size of the Growth Fund by a further £30m, creating a Fund of £50m. The potential gross return from the £50m Fund is £3m pa - £1m pa net of borrowing – plus further growth in business rates** which will help the Council to address the impact on frontline services from the ongoing reduction in Government grant.
- 1.5 The Telford Growth Hub is the focus for engaging with investors and delivering wide ranging business support with hot desk facilities for start ups. In less than 12 months the Hub has engaged with over **1500 people and 250 businesses** have visited and used the facilities.
- 1.6 The Foreword to the Enterprise Telford Strategy for Growth states:-

*‘We are calling our approach to growth ‘Enterprise Telford’ which reflects our view that **all** communities across our Borough can contribute to and benefit from economic growth”*

Paul Hinkins, Chair, Telford Business Board and Shaun Davies, Leader, Telford & Wrekin Council

2. RECOMMENDATIONS

That Members: -

- a) Note the success of the Councils business winning and business supporting approach and the opportunities being generated through the Enterprise Telford campaign
- b) Approve an increase of £30m in the Growth Fund to facilitate the expansion of the PIP as set out in this report and delegates authority to the Assistant Director: Business, Development & Employment, in consultation with the Assistant Director: Finance & Human Resources and the Cabinet Lead for Council Finance, Partnerships and Commercial Services to consider and approve each business case for investment.
- c) That Cabinet recommends to Full Council that the PIP be granted approval to undertake prudential borrowing to undertake the acquisition and disposal of PIP assets and/or investments in strategic infrastructure following approval of the business cases as outlined in this report
- d) That Cabinet recommends to Council the approval of necessary changes to the capital programme and revenue budget to facilitate the ongoing rationalisation of the PIP and strategic investments as outlined in this report
- e) Approves the continuation and extension of the Telford 'Deal for Business' and delegates to the Assistant Director: Business, Development & Employment, in consultation with the Assistant Director: Finance & Human Resources and the Cabinet Lead for Council Finance, Partnerships & Service Delivery, to enter into agreements with businesses in line with the terms set out in the Cabinet Report of 27th March 2014.
- f) That Cabinet delegate authority to the Assistant Director: Governance, Procurement & Commissioning to seal or sign any documents required to give effect to the recommendations contained in this report.

3. SUMMARY IMPACT ASSESSMENT

| | | |
|--|---|---|
| COMMUNITY IMPACT | Do these proposals contribute to specific Priority Plan objective(s)? | |
| | YES | Protect and create jobs as part of a business winning and business supporting Council. |
| | Will the proposals impact on specific groups of people? | |
| | YES | The proposals will support existing businesses and potential investors to invest and expand in Telford, creating growth and jobs across the Borough. |
| TARGET COMPLETION /DELIVERY DATE | The Enterprise Telford campaign is on-going. | |
| FINANCIAL/ VALUE FOR MONEY IMPACT | YES | Full Council approved the establishment of a £20m Growth Fund and the associated prudential borrowing in November 2015 for the rationalisation and development of the Property Investment Portfolio to secure additional income for the Authority. The Property Investment Portfolio (PIP) generates revenue income of in excess of £5m for the Council which supports a range of Council services. Currently investments totalling £14.7m have |

| | | |
|---|-----|---|
| | | <p>been approved against the fund, leaving only £5.3m for future opportunities. The investments approved deliver on-going income from rental streams and retained business rates which supports the Council's budget and contributes to the delivery of savings.</p> <p>In order to secure the ongoing strength of the PIP and to allow it to grow and diversify, this report seeks approval for the PIP to undertake further prudential borrowing up to a maximum of £30m (creating a total Growth Fund of £50m) and for the necessary changes to be made to the capital and revenue budget strategy to reflect this increase in borrowing. The individual investments will be subject to approval by the Assistant Director: Business, Development and Employment in consultation with the Assistant Director: Finance & Human Resources and the Cabinet Lead for Council Finance, Partnerships and Commercial Services. Each additional £1m of prudential borrowing costs in the region of £40k on-going (based on an assumed life of 60 years) and business cases will be considered in this context. Savings delivered as a result of the additional investment will contribute towards the overall budget gap.</p> <p>For every business, financial incentives in year should not exceed £55k, which is the point at which State Aid issues become relevant.</p> <p>PH/DR-15/9/2016</p> |
| | | |
| LEGAL ISSUES | Yes | The Council will construe its behaviour against Constitutional standards of decision- making, of financial probity and stringent financial planning and financial risk management as well as equality impact assessments and procurement requirements. The Council will be mindful of State Aid Rules in relation to the grant aid to commercial entities which may impact its pledges, support package coordination and delivery to third parties. MG Legal Services |
| OTHER IMPACTS, RISKS & OPPORTUNITIES | NO | |
| IMPACT ON SPECIFIC WARDS | NO | The benefits of the projects will be Borough wide with the Enterprise Telford approach and Pledge encouraging business growth and investment across the Borough. |

PART B) – ADDITIONAL INFORMATION

4. INFORMATION

BACKGROUND

Driving Growth – 2014/15

4.1 The Council launched its first business and investment strategy – Invest in Telford - in 2012. The ‘business winning, business supporting’ commitment underpinning this has had a massive impact on investment and growth in the Borough. This includes

- the £83m investment by the Ministry of Defence into the new logistics hub at Donnington.
- In addition major manufacturing business investments have been secured from WZ (Moneta) Packaging, The Recycling Group, Winlock, MJ Systems, Northwood Paper and from XYZ and Filtermist who invested in Telford’s flagship investment site, T54.
- Existing business expansions included BAE Systems, Craemer, Stadco, i2R and Heinz.

The recently released UKTI report on foreign investment successes (which relates only to those investments UKTI were directly involved in) for 2015 revealed more than £60m invested by new and existing foreign investors into Telford.

4.2 In October 2015, the Telford Growth Hub was launched at the Telford Innovation Campus, Priorslee, bringing together Telford’s Investment and Business Engagement Teams, the University’s Business Solutions service and Telford Business Board’s Sector Champions in a one stop shop that will meet all business needs and will act as a showcase to attract inward investment.

James Beirne of Midland Alloy and Telford Business Board sector champion: " To have business support services under one roof is a great asset for the Telford business community. It also shows to future investors that we are pro growth and a great place to do business."

Rekha Rani Chhiber, managing director for Asteria Global Ltd: "It was on the off chance I rang Telford & Wrekin Council business support and I'm so glad I did. Through this service I decided to stay in the borough rather than relocate to Birmingham. A great choice and I'll be using the growth hub for my latest ideas to grow my business...."

Building on Success – Enterprise Telford 2016

- 4.3 In May 2016 the Council and the Telford Business Board, launched Enterprise Telford. **At the heart of Enterprise Telford is a Pledge to business. The Pledge designates the whole borough as an enterprise area and offers to any business, whether expanding or looking to land in the Borough, a bespoke package of support.** This is proving to be a more attractive investment offer than other destinations, including those designated as Enterprise Zones.
- 4.4 Using the Pledge the Council are providing investors with a **fast, responsive and deal focussed approach with a landing offer around finance, land, design and build, property and recruitment and skills.** The offer to business is underpinned by a number of key elements:
- **£20m Growth Fund;**
 - **Telford Land Deal**
 - **Growth Hub for ongoing business support and; grants for growth.**

£50m Growth Fund

- 4.5 **In November 2015 the Council launched a £20m Growth Fund** to capitalise on investment demand enabling the Council to acquire land and property, build bespoke premises and strengthen and diversify the Council's Property Investment Portfolio while delivering jobs and opportunity in local communities.
- 4.6 The PIP already makes an important contribution to the Council's revenue budget, generating a consistent income stream in excess of £5m per annum to support the delivery of Council services. The Growth Fund enables the Council's Estates and Investment team to react quickly to investment opportunities that come to the market and supports the growth of the property portfolio bringing additional essential income into the Council to support service delivery and delivering new jobs for local people. This unique Council approach and willingness to invest (where there is a clear return), in acquiring land or property to be then leased to investors, is then enhanced by our ability to deliver design, build, and ongoing building management and business support.
- 4.7 **In less than 12 months £14.7m has been allocated into a range of investments which are anticipated to help deliver 1000 new jobs and safeguard a further 200 jobs.** Through the investment of the full £20m the Council is set to generate c£1.2m in additional gross income - **£400k nett of borrowing costs.** **The investment is also delivering growth in business rates income.** The Growth Fund has contributed to the delivery of **Magna International's multi million pound investment into T54**, which has put Telford on the investment map for major automotive investors and is set to act as a major stimulus to the local supply chain.

Magna announces new aluminium casting facility in the UK

Magna International Inc. today announced it will build a new world-class aluminium casting facility in Telford, United Kingdom, to support Jaguar Land Rover, the UK's leading vehicle manufacturer.



The new facility is expected to be approximately 225,000 square feet and will create up to 295 jobs at full capacity.

Working with the UK Trade & Investment and the Automotive

Investment Organisation, along with financial support from the UK Government's Regional Growth Fund, helped to secure this project. Construction is expected to start in the autumn of 2016.

- 4.7 Through the Growth Fund the Council has also acquired the Audley Avenue Industrial Park in Newport – which will safeguard the future of 13 businesses and more than 160 jobs.



Other investments set to deliver a significant return include Travelodge in the Town Centre.



4.8 £14.7m of the original Fund is now committed with two further investments (picture below) due to be announced in the next few weeks (creating several hundred additional jobs). The Fund has attracted significant investor interest with 7 enquiries currently in progress which offer an investment potential. **This report is therefore seeking an increase of £30m in the Growth Fund to create a £50m Growth Fund. This will directly increase the competitiveness of the Borough's investment offer and is projected to increase the gross return to the Council from the Growth Fund to £3m pa net of business rates - £1m nett of borrowing costs.**



New units being built bespoke for new investors, Hortonwood West

4.9 The income from the Fund is subject to 5 yearly rent reviews and business rate receipts will rise if recent changes in business rates retention come forward. The projected returns do not take account of rental growth or void periods during the investment period, however investments will only be made where an appropriate return supports the investment. In reality the return on investment on several investments made to date has been higher than modelled. The figures below demonstrate the significant potential increase in income generated by increasing the value of the fund from £20m to £50m (net of business rates):

| | Rent | Ongoing Cost of Debt finance | Net Income (ongoing) |
|-----------|------------|------------------------------|----------------------|
| £20m Fund | £1,200,000 | £800,000 | £400,000 |
| £50m Fund | £3,000,000 | £2,000,000 | £1,000,000 |

Telford Land Deal

4.10 In March 2016 the Council signed a unique Land Deal with HCA and DCLG, which, over the next 10 years, will **see Government recycle £44.5m from land sales in Telford into site preparation and infrastructure to support growth**. This unique Deal which sees the Council leading the marketing and disposal of all HCA land underpins Enterprise Telford and will support the **delivery of 2,800 new homes, 8,500 new jobs and 300,000 sq ft of new employment area**. It is also set to **generate a potential £6m per annum in Council Tax and Business Rates by the end of the programme**. Six months on, the Deal has already been instrumental to the investment by Magna International at T54 as well as investments in Hortonwood and Hadley Park.



Hortonwood West – being delivered through the Telford Land Deal with first 2 units being developed bespoke for new businesses through the Growth Fund



T54 – Flagship employment site – being delivered through the Telford Land Deal - Plot 6 now under development by Magna International

Telford Growth Hub

4.11 Since its launch in late 2015, Telford's Growth Hub has gone from strength to strength and is already demonstrating its value in both supporting business growth and inward investment and in developing University and business collaborations. It is offering a varied events programme ranging from digital workshops and growth seminars to cyber security and is collaborating closely with the University to deliver specialist sector events. In addition a successful food and drink cluster group has already been established, sponsored by Lloyds Bank and with contributions by Harper Adams and innovative Telford company Sirane. **To date over 1500 people and 250 business have visited and used the facilities at the Hub**, which has also been successfully hosting potential new investors, including digital start ups.

Business Grants

4.12 **Through the Telford Growth Hub, small and medium sized enterprises (SME's) will now have access to a range of grants including a new EU funded £33m programme offering businesses grants from £10,000 to £200,000.** Telford businesses and new investors will also benefit from the Marches Building Investment Grant, which will help businesses to upgrade premises to ensure access to suitable commercial premises in which to expand. The Grant will provide capital grants to SME's of £4,500 up to £100,000 to refurbish, reconfigure and extend commercial premises across the whole Borough.

Local, Regional and National Opportunities

- 4.13 Telford's investment offer is being enhanced by developments at the Telford Innovation Campus and at Harper Adams. At the Telford Innovation Campus, Wolverhampton University continues to invest in its engineering and manufacturing faculty, with a particular focus on the automotive sector. This investment adds to Telford's offer to investors and will help us to continue to capitalise on the automotive supply chain opportunities generated by the proximity of the JLR engine plant. automotive supply chain.
- 4.14 **Enterprise Telford is working with Wolverhampton University to create a digital centre of excellence in Telford** enabling businesses in the ICT and digital sector and those looking to maximise on potential of digital to improve their performance, to compete for investment at a national level.
- 4.15 Enterprise Telford is Borough wide – not limited to a specific area or zone. **In Newport the Council has committed £1m earned through the Telford Land Deal, to deliver a new Science & Technology Park creating incubation and start up space for high tech companies. The Council has also submitted a bid for £7.5m of Government funding to accelerate deliver of the site which will benefit from the expansion of Harper Adams University, with its new Agri-Engineering Centre for Innovation.** This is creating opportunities to bring high value jobs to Newport in fields including robotics, sensors, augmented reality systems, enviro-technologies and ICT. The Harper Adams Centre for Innovation is supported by a consortium of leading UK and International companies including GKN, JCB, Jaguar Landrover, Michelin, Lockheed Martin, BASF and Dairy Crest, helping to raise Telford's profile.
- 4.16 **Telford is ideally placed to be an important player in new and emerging regional partnerships.** As a non-constituent member of the West Midlands Combined Authority we have the **potential to grow our connections to the conurbation and strengthen supply chain links, particularly with the automotive sector.** We are well placed to maximise opportunities through the Midlands Engine, which has £5m of central government funding to attract investment to the region. **Telford has been featured in the Midlands Engine 'pitchbook' to investors, where we are promoting T54 as an investment opportunity to overseas investors** and we will be ensuring that Telford is represented in the series of 20 overseas trade missions planned for the next 3-4 years.

Summary

- 4.17 **Through Enterprise Telford the Council is generating income from property investment and additional business rates and Council Tax as job creation supports demand and growth in the housing sector.** Enterprise Telford is central to the Authorities strategy to tackle the ongoing reduction in Government grant and seek to sustain frontline services.
- 4.18 **Enterprise Telford also supports the Council's Strengthening Families strategy creating jobs and building economic independence and aspiration amongst our young people.** Through the Council's Skills to Employment programme

delivered through the Growth Hub links are being built between schools, colleges and businesses to ensure young people are equipped for the employment opportunities in the Borough and that we retain graduates and entrepreneurs locally.

- 4.19 Our Enterprise Telford strategy will grow the number of successful businesses in our Borough, build on Telford's sector strengths and opportunities, **stimulate and support innovation by our businesses and improve our skills talent pool, aligning a skilled workforce with business need.**

5. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

None

5 PREVIOUS MINUTES

Cabinet 27th March 2014 – The Telford Deal for Business

Council 26th November 2015 – Property Investment Portfolio – Investing in Telford's Growth

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