

TELFORD & WREKIN COUNCIL**CABINET 13 JULY 2017
COUNCIL 21 SEPTEMBER 2017****TELFORD LAND DEAL****REPORT OF ASSISTANT DIRECTOR: BUSINESS, DEVELOPMENT & EMPLOYMENT****LEAD MEMBERS - CLLR SHAUN DAVIES AND CLLR LEE CARTER****PART A – SUMMARY REPORT****1. SUMMARY OF MAIN PROPOSALS**

- 1.1 Over the past 12 months the Borough has seen unprecedented investment into both commercial and residential development. Driven by initiatives including the £50m Growth Fund, the subject of a twin report to Cabinet, and the Telford Land Deal the new developments, a number of which are close to completion and delivering new, local job opportunities – are a key part of the Council’s commitment to ‘creating a better Borough’.
- 1.2 The Council entered into the Telford Land Deal with the HCA in March 2016 and is set to see £44.5m of land receipts from the sale of agreed Homes & Communities Agency (HCA) assets in Telford recycled back into the local area, supporting the delivery of new homes, jobs and commercial floor space.
- 1.3 Formally signed just over one year ago the Deal has already delivered gross land sales of c.£7.2m, 277 new homes and over 400 new jobs – many highly skilled – with construction work benefitting local companies and new investors set to stimulate further growth in the supply chain.
- 1.4 Over the next 12 months the Deal is set to deliver a further circa £17m of gross land sales, close to 600 jobs and over 300 new homes. In addition over the next 12 months investment through the Deal will support the delivery of a new Innovation Park in Newport providing opportunities for start ups and larger companies to invest and enabling the Borough to build on the opportunities in the Agri Technology sector – establishing its reputation as a national focus for this growth sector.
- 1.5 By the end of 17/18 it is also anticipated that the Deal will deliver c.£3m in local profit share – a cut of the profits from land sales which have been achieved above the HCA base land values. This will be the first time the local area has shared in such profits previously returned to the Treasury. The Report seeks approval to a delegated procedure for the determination of where and what the uplift monies generated are invested in.
- 1.6 The Report also confirms that agreement has been reached in respect of the transfer of the HCA liability sites (i.e. those that have no development value) which was a condition of the original Deal and seeks approval to how the capital balance of dowry monies received from HCA to support the maintenance of these sites, should be treated.

2 RECOMMENDATIONS

2.1 That Cabinet note the outcomes achieved since the Land Deal was completed as is set out in section 4 of this report.

2.2 That Cabinet delegate authority to the Assistant Director: Business, Development & Employment in consultation with the Assistant Director: Finance & Human Resources and the Cabinet Member for Council Finance, Commercial Services and Economic Development to consider the business case and determine the use of uplift monies, in line with the parameters set out in section 5 of this report.

2.3 That Cabinet delegate authority to the Assistant Director: Business, Development & Employment and Assistant Director – Neighbourhood & Customer Services to undertake the investments (as appropriate to the Service Area lead) following approval to the business case as set out in 2.2;

2.4 That Cabinet recommend to Full Council that delegated authority be given to the Assistant Director: Business, Development & Employment in consultation with Assistant Director: Finance & Human Resources and the Cabinet Member Council Finance, Commercial Services and Economic Development to consider the business case and determine the investment of the balance of the liability capital settlement as set out in section 6.2 of this report.

2.5 That Cabinet recommend to Full Council that delegated authority be given to the Assistant Director: Business, Development & Employment to undertake the investments following approval to the business case as set out in 2.4;

2.6 That Cabinet delegate authority to the Assistant Director: Legal, 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 Co-operative Council priorities?	
	Yes	<ul style="list-style-type: none">• Protect and create jobs as part of a “business supporting, business wining council.”• Regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing• Ensure that neighbourhoods are safe, clean and well maintained
	Will the proposals impact on specific groups of people?	
	Yes	The investment delivered through the HCA Land Deal will have a positive impact across the Borough, helping to delivery new infrastructure, deliver new jobs and new homes, support businesses to grow and new investment which will support action to reduce unemployment, increase economic independence and address social inequality.

TARGET COMPLETION/ DELIVERY DATE	The use of profit share monies will occur during the 10 year Land Deal.							
FINANCIAL/ VALUE FOR MONEY IMPACT	Yes	<p>The original HCA Land Deal funding model set out the following in terms of the allocation of the Profit Share generated through the Land Deal:</p> <table border="1" data-bbox="563 450 1425 678"> <tr> <td data-bbox="563 450 994 488">Profit Share HCA</td> <td data-bbox="1002 450 1425 488">15%</td> </tr> <tr> <td data-bbox="563 490 994 528">Profit Share TWC</td> <td data-bbox="1002 490 1425 528">85%</td> </tr> <tr> <td data-bbox="563 566 994 651">Within 85% TWC Profit Share</td> <td data-bbox="1002 566 1425 678">First £2m earmarked for constrained sites 15% to the Marches LEP</td> </tr> </table> <p>Telford & Wrekin Councils proportion of the Profit Share (85%) over the 10 years was estimated at £19.3m – of which £2m was initially ring fenced to support the bringing forward of constrained sites owned by HCA and an estimated £2.6m will be payable to The Marches LEP Investment Fund over the 10 year programme as their 15% share of net uplift (15% of £17.3m) leaving TWC with a net fund of £14.7 million. The Investment and Disposal plan is continually reviewed with agreement of the Land Deal Board and work will be undertaken to keep updating the 10 year projections to take into account the agreed changes.</p> <p>Since the start of the Land Deal, Telford & Wrekin Council has spent some £9.4m into bringing forward sites for development. Over the first 3 years of the deal (until end of 2017/18) the total Profit Share is estimated to be £3m. The Land Deal Board has final authority to determine investment of both the TWC and Marches LEP Profit Share. This report is seeking delegated authority to formulate proposals for the Land Deal Board to consider, as detailed in Section 5. As set out in the report, the AD: Finance & HR will consider the business cases as they come forward. Further details of the criteria used in determine the use of uplift monies are included in section 5.</p> <p>The Land Deal also included the transfer of HCA liability sites to Telford & Wrekin Council and an agreement in relation to these has been reached. This includes a settlement for the transfer of the liability land held by HCA which is based upon a capital sum payable in two tranches to Telford & Wrekin Council amounting to £3m in total. In addition £1m is being taken from the constrained sites fund detailed above giving a total sum of £4m. There is a requirement to spend an initial £750k on sites with the balance of £3.25m to be held for ongoing maintenance and repair. Given the future revenue costs going forward as set out in section 6 below it is proposed to invest the balance figure in a property asset(s) which will provide an ongoing revenue income stream which</p>	Profit Share HCA	15%	Profit Share TWC	85%	Within 85% TWC Profit Share	First £2m earmarked for constrained sites 15% to the Marches LEP
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		<p>will be set aside to meet these costs (in addition to the base budget already approved of £18k per annum). As set out in the report, the AD: Finance & HR will consider the business cases associated with the proposed investments on an individual basis.</p> <p>DR 19 4 17</p>
LEGAL ISSUES	Yes	<p>The legal transfer of the Core liability sites has been completed and the balance of sites are due to be transferred in the next 12 months.</p> <p>Legal Services will continue to monitor the liability transfers and the Authorities obligations under the Land Deal Agreement.</p> <p>JH 17 5 17</p>
OTHER IMPACTS, RISKS & OPPORTUNITIES	No	<p>The use of uplift monies provides the opportunity for investment to support further growth initiatives, including investments into strategic infrastructure and supporting developments.</p> <p>The Land Deal is based on the devolution to the local area (Telford & Wrekin Borough), of both risk and reward. HCA will receive the 2015 book values for all sites sold before net receipts are shared. On the majority of sites the actual land receipt achieved will be higher than the HCA book value due to investment into infrastructure etc. and the added value created through obtaining necessary planning permission.</p> <p>A further risk is the failure to dispose of the sites in accordance with the anticipated values or phasing of delivery to market after the Council has incurred significant capital expenditure. This could for example arise should local or national economic factors impact on the demand for developable land. This risk is mitigated by close scrutiny of the investments being proposed, the market and the role of the Land Deal Board (where the Council is represented by the Leader) agreeing to each land disposal. The Land Deal Agreement also allows for early termination in the event that major economic shocks impacting in delivery arise.</p>
IMPACT ON SPECIFIC WARDS	No	Borough wide impact.

PART B – ADDITIONAL INFORMATION

4. OUTCOMES TO DATE

- 4.1 Since the basedate of the Telford Land Deal the Deal has delivered the sale of 8 commercial sites and 7 sites for residential development. This has achieved a gross sale income of **£7,175,562**. The sites have delivered Employment Floor Space (EFS) of **35,504sqm** and **277** new homes and the commercial premises are anticipated to deliver

c.**405** new jobs, many in engineering and manufacturing adding skilled job opportunities for the Borough's communities.

- 4.2 A further 8 commercial sites and 2 residential sites are currently being negotiated and are anticipated to achieve a gross sales income of c. **£17million** in 2017/18 delivering new employment floor space of **41,467sqm (446,184sqft)**, anticipated job numbers of c.**588** and **320** new homes.
- 4.3 The Deal alongside the Council's Enterprise Telford business pledge and the Council's ability to provide land, build and lease bespoke properties and offer a full turnkey solution through its **£50m Growth Fund** is driving a high number of enquiries and has meant sites coming forward even faster than envisaged in the original programme. The Borough is seeing significant interest from the automotive and advanced manufacturing sector due in part to the continued growth of Jaguar Land Rover in the midlands region and the strength of the existing supply chain in the Borough with many resident companies expanding. Other related sectors that are active and expanding include food processing and agri tech, with the Land Deal set to make a £1m investment alongside the Government's LGF3 investment into delivering a new 10 Ha Innovation Park in Newport.
- 4.4 The investments coming forward are dominated by new investors entering the Borough or existing companies expanding taking additional floorspace/premises and is not leading to a major displacement of local companies from other local estates. The void level for industrial premises across all the Borough's estates is low with Telford & Wrekin Council currently holding only 2 voids across the over 300 industrial units within the Property Investment Portfolio with Andrew Dixon, a local agent managing a significant local portfolio commenting recently on the limited void stock across Telford.
- 4.5 The scale of investment sees the Borough established as a major inward investment destination and is delivering infrastructure, jobs and homes that are key to the Council's commitment to 'creating a better Borough'.

4.5 **Examples of Investments**

Details of all the achievements to date are included in the annual Status Report produced under the Deal for DCLG (Appendix 2). Specific examples of investments delivered through the Deal and the Council's investment include:

T54 – Flagship Automotive and Advanced Engineering employment site:

Plot 6 - Being developed by Magna International a Canadian tier 1 automotive company. The company are investing over £80 million into building a 250,000sqm plant at T54 delivering 300 new jobs in phase 1 with a further 300 in future phases.

The investment is understood to be the largest new overseas investment in to the UK in the last 10 years.



Magna April 2017

Plots 2 & 3 - Polytec have acquired plots at T54 which are due to deliver a new manufacturing plant of 136,000sqft and c.250 jobs over 3 phases of development.



Polytec June 17

Halesfield – Employment Site

Plot 2 Halesfield 24 – Site sold to Wrekin Pneumatics an existing Telford Company (currently located at Dawley Bank), for a new headquarters.

Plot 3 Halesfield 23 – Site sold to Alkane Energy for electricity backup storage

Plot A Halesfield 25 – Site sold to subsidiary of Travis Perkins for a storage warehouse for civil engineering equipment

Hortonwood West – New Industrial estate extending to 65 acres and delivering 750,000sqft of new employment floor space

Plots 3, 4 & 5 – Land sale agreed with existing Telford business for new additional manufacturing facility which will deliver over 260,000sqft in two phases.

Plot 6 – Land sale agreed with Baker Bellfield an existing Telford Business for new additional manufacturing facility which will deliver over 40,000sqft

Plots 9 – Site sold to TWC where through investment from the Council's £50m Growth Fund a new 65,000sqft industrial building is being delivered to support the relocation of Rosewood Pet Products a business from the West Midlands.

Plot 10 – Site sold to TWC where through the £50m Growth Fund a new 30,000sqft industrial building is being built to support an existing Telford business expansion.



Units 9 & 10 Hortonwood West – June 17

Demand in the residential market also remains strong with the Borough delivering c.1200 new homes in 16/17 and maintaining its position as number 2 nationally in the Centre for Cities ranking for housing delivery for the third year running.

5. Investment of Locally Retained Profit Share

5.1 Under the terms of the Land Deal it was projected that c. £19.3m of local profit share would be delivered when land is sold above HCA baseline values over the 10 year programme.

As part of the Agreement with Government a proportion of this is to be made available to the Marches Local Enterprise Partnership (LEP) to invest through the Marches Investment Fund.

- 5.2 The success achieved last year and deals set to be agreed in Q1 17/18 mean an initial profit share of c£3m is anticipated by the end of 17/18. Under the terms of the Deal the first £2m has to be set aside to support delivery of constrained sites leaving a projected £1m to reinvest into supporting further growth, of which 15% will go to the LEP.
- 5.3 The key principles underpinning how the investment of local profit share will be made were agreed as part of the Land Deal. Central to these is that the investment directly supports the objectives of the Land Deal which is to deliver new homes, new jobs and increased commercial floor space. The Agreement also sets out :-
- That Investment supports wider policy objectives of the local authority, HCA and Government to drive growth, economic development and regeneration
 - That the appraisal of proposals is proportionate to the level of investment being sought and sufficiently flexible to allow for a range of investment opportunities
 - That proposals be supported by a business case reflecting treasury guidelines
 - That investments accord with local authority procurement rules
 - That monitoring and evaluation of the impact of the scheme is in place

The Land Deal Board, established as a requirement of the Deal to oversee its delivery, has the final authority to determine investment of profit share by both Telford & Wrekin and Marches LEP profit share. This will be undertaken on the basis of an individual business case. This report seeks approval to delegate the selection of projects to be put forward for approval to the Land Deal Board, to the Assistant Director: Business, Development & Employment, in consultation with the Assistant Director: Finance & Human Resources and the Cabinet Member for Council Finance, Commercial Services and Economic Development.

It is anticipated that the schemes that could come forward could include;

- Provision of gap funding for new build developments where there is demand and a need for funding to meet a viability gap in a project (see case study in Appendix 1),
- Investment into strategic on site infrastructure such as new site accesses and
- Investment into off site strategic infrastructure such as highway improvements and utility upgrades.
- Investment into projects in local communities where development through the Land Deal is taking place, including supporting stalled sites and skills training.

6. Transfer of HCA Liability Sites to TWC

- 6.1 A condition of the Land Deal was that within 12 months of signature an agreement would be reached for the transfer of all other HCA liability (i.e. undevelopable) sites to TWC ownership. In accordance with the approved delegations set out in the March 16 Land Deal report, agreement has now been achieved with the first tranche of sites transferred to the Council.
- 6.2 The agreement reached includes the receipt of a dowry of £3 million in capital funding from HCA (£1.2 million in 16/17 and the balance in 17/18) together with the agreement to the use

of £1 million of local profit share (that had been originally ring fenced to be invested into HCA constrained sites).

- 6.3 Initial evaluation of the sites transferring indicates a need to spend an initial c.£750,000 from this pot on the transferring sites. With the majority of the spend being used to bring roads up to an adoptable standard as well as a small proportion for general maintenance works.
- 6.4 This leaves approximately £3.25 million of the 'dowry' to be held to cover future maintenance costs. Given the strength of return on investment of the £50m Growth Fund and opportunities in the market, approval is sought to invest the balance of capital money into property asset(s), which will generate an ongoing revenue stream to meet ongoing revenue costs. Agreement to such an investment would follow the same delegated process as currently in place for investment of the £50m Growth Fund. This requires a business case to be approved by the Assistant Director for Business, Development & Employment in consultation with the Assistant Director for Finance & Human Resources and the Cabinet Member for Council Finance, Commercial Services and Economic Development.

7. PREVIOUS MINUTES

Cabinet – 11 January 2011, CB-110

Cabinet – 17 October 2013

Cabinet – March 2015

Full Council – 3 March 2016, CB-79

**Report prepared by James Dunn Estates & Investments Service Delivery Manager:
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Case Study for Investment of Profit Share into Starter Units:

The Borough continues to see strong demand for a range of sizes of industrial units with a very low level of void rates across both the Councils and wider private portfolios. This demand includes smaller, starter or grow on units which are important to establishing new businesses in a range of sectors including food manufacturing and general industrial but also in areas of high value of engineering/manufacturing including robotics, 3D printing and digital sector. Such investment can provide a foundation for these businesses to then expand and grow in the borough potentially taking up other premises/sited delivered through the Deal. Currently however given enhanced costs associated with the construction of small units (in respect of the additional walls, toilets, roller shutter doors etc.) against market rents there is a viability gap, as is shown in the budget estimate for a scheme of some 16,700sqft (split into small units ranging in size from 700 to 1000sqft) below:

- a) Total Build Cost (including land): £1,700,000
- b) Market Rent: £80,000
- c) Capital Value (Growth Fund contribution): £1,150,000
- d) Viability Gap (Profit Share contribution): £550,000

The use of uplift monies would enable the delivery of much needed new starter units within the Borough making investment through the £50m Growth fund viable and unlocking future growth potential.