

MEETING OF THE CABINET

TUESDAY, 10 NOVEMBER 2020

ADDITIONAL PAPERS

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CABINET 10 NOVEMBER 2020

ADDENDUM TO ITEM 6 - ESTABLISHMENT OF COMPANY TO BE KNOWN AS 'EM DEVCO LIMITED'

1. ESTABLISHING THE INTERIM VEHICLE

The Addendum provides an update to the published cabinet report and provides further detail on the Interim Vehicle and North West Leicestershire District Council's involvement in respect of the funding and constitutional arrangements. Since the publication of the cabinet report, negotiations with the five constituent authorities have concluded and agreement reached on both the level of financial contribution to support the interim vehicle and the heads of terms for "the Members Agreement and Articles of Association".

As set out in paragraph 9.0 of the cabinet report, Community Scrutiny Committee considered this report at their meeting on 28 October 2020. Scrutiny Committee resolved to amend the recommendations, which were under consideration. The effect of the amendment was that Scrutiny's endorsement of proposals to Cabinet was caveated on the basis that a detailed risk assessment would be undertaken before Cabinet were asked to make their decision.

Paragraph 10.0 of the main cabinet report sets out the risks for consideration by Cabinet, and an additional high level issues and risks log has been prepared by the Midlands Engine Executive to respond to the concerns and issues raised by Scrutiny which has been attached to the addendum in **Appendix C**.

2. FINANCIAL IMPLICATIONS

The five constituent local authorities have agreed (subject to individual council approval) that North West Leicestershire District Council, Broxtowe Borough Council and Rushcliffe Borough Council will contribute £500k each for the three years of the interim vehicle and Leicestershire and Nottinghamshire County Councils will both make a contribution of £500k per year for the three years.

The profile of payment is to be determined and will be reviewed should the government choose not to fund, although there is an expectation of some revenue funding to be cash flowed (which will be announced in the comprehensive spending review at the end of November 2020).

Cabinet are referred to paragraph 4 of the main report, which details the financial requirements for the Interim Vehicle and the associated funding bid to government.

A revised spend profile based on a reduced amount has been prepared (refer **Appendix B** - Interim Vehicle Programme & Budget 2021/22) however, the ask of government remains at £18.6m. All decisions by other authorities will be made by the end of December 2020.

3. LEGAL AND GOVERNANCE IMPLICATIONS

Following the conclusion of negotiations with the constituent authorities the Members Agreement and Articles of Association will be drafted to set out the formal constitutional arrangements for the Interim Vehicle. An updated summary of the key matters is attached at **Appendix A**.

There remain a few matters outstanding to be resolved between the councils however these are being narrowed. At present the key matters to be agreed are:

- The form of funding contribution and the documentation to support this;
- Agreement on how changes to the articles may be brought about as well as the process for moving from this Interim Vehicles to a development company;
- Division of liability for staff or upon winding up the Interim Vehicle;
- The process for approving director conflicts of interests to ensure that directors appointed by a council with an interest in a decision are able to take part in discussion and vote.

An arrangement has been made between the organisations for contributions to be made as set out in the financial implications above. The terms of this funding, including structure, timing and ability to withdraw or cease funding has not yet been discussed or agreed. Cabinet is advised that the terms of the funding from each Member council would need to be captured in a separate legal agreement. A further report will be taken to Cabinet on the mechanism and details of the funding agreement in due course.

4. APPENDED INFORMATION:

- **Appendix A:** Revised Summary of Key Matters – Draft Members Agreement/Draft Articles of Association
- **Appendix B:** Interim Vehicle Programme & Budget 2021/22
- **Appendix C:** EM DevCo – High Level Issues and Risks Log

5. CHANGES TO RECOMMENDATIONS:

RECOMMENDATIONS SET OUT IN MAIN REPORT	UPDATED RECOMMENDATIONS
1. NOTE THE WORK THAT HAS BEEN DONE TO DATE ON THIS PROJECT AND THE COMMENTS WHICH WERE MADE BY THE COMMUNITY SCRUTINY COMMITTEE AT THEIR MEETING ON 28 OCTOBER 2020 AS DETAILED IN APPENDIX D	1. NOTE THE WORK THAT HAS BEEN DONE TO DATE ON THIS PROJECT AND THE COMMENTS WHICH WERE MADE BY THE COMMUNITY SCRUTINY COMMITTEE AT THEIR MEETING ON 28 OCTOBER 2020 AS DETAILED IN APPENDIX D
<p>SUBJECT TO THE RECEIPT OF FURTHER INFORMATION REGARDING THE FINANCIAL IMPLICATIONS AND A DETAILED RISK ASSESSMENT :</p> <p>2. RECOMMENDS THAT FULL COUNCIL APPROVES THE PRINCIPLE OF MAKING A FINANCIAL CONTRIBUTION TO SUPPORT THE INTERIM VEHICLE OVER THE NEXT 3 YEARS, WITH THE ADDITIONAL FUNDING REQUIRED TO BE APPROVED TO BE ALLOCATED THROUGH RESERVES, SUBJECT TO FURTHER NEGOTIATION BY THE CHIEF EXECUTIVE AND AGREEMENT BY COUNCIL AND SUBJECT TO MATCH FUNDING FROM OTHER AFFECTED LOCAL AUTHORITIES AND GOVERNMENT;</p>	2. RECOMMENDS THAT FULL COUNCIL APPROVES MAKING A FINANCIAL CONTRIBUTION OF £500,000 TO SUPPORT THE INTERIM VEHICLE OVER THE NEXT 3 YEARS, WITH THE ADDITIONAL FUNDING REQUIRED TO BE ALLOCATED THROUGH THE REALLOCATION OF EXISTING ECONOMIC DEVELOPMENT EARMARKED RESERVES NO LONGER REQUIRED AND SUBJECT TO THE AGREED FUNDING CONTRIBUTIONS FROM OTHER AFFECTED LOCAL AUTHORITIES AND GOVERNMENT FUNDING BEING SECURED;
3. REQUESTS THE CHIEF EXECUTIVE TO PREPARE A REPORT INCLUDING FURTHER DETAIL ON THE INTERIM VEHICLE AND NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL'S INVOLVEMENT IN IT TO BE RATIFIED BY FULL COUNCIL ON 17 NOVEMBER 2020 AND THEREAFTER THE FUNDING ARRANGEMENTS TO BE INCLUDED WITHIN THE MEDIUM TERM FINANCIAL STRATEGY FOR 2021/22 ONWARDS;	3. RECOMMENDS THAT FULL COUNCIL APPROVES THE COUNCIL TO JOIN THE INTERIM VEHICLE AND PARTICIPATE IN THE INCORPORATION OF IT;
4. RECOMMENDS THAT THE FULL COUNCIL APPROVES THE PROPOSAL FOR THE COUNCIL TO JOIN THE INTERIM VEHICLE AND PARTICIPATE IN THE	4. RECOMMENDS THAT FULL COUNCIL APPROVES IN PRINCIPLE TO THE COUNCIL ENTERING INTO THE MEMBERS AGREEMENT AND PARTICIPATING IN THE INCORPORATION OF THE INTERIM

<p>INCORPORATION OF IT;</p>	<p>VEHICLE CLG AND DELEGATES AUTHORITY FOR AGREEING THE FINAL FORM OF THE MEMBERS AGREEMENT AND ARTICLES OF ASSOCIATION TO THE STRATEGIC DIRECTOR (PLACE) IN CONSULTATION WITH THE PLANNING AND INFRASTRUCTURE PORTFOLIO HOLDER;</p>
<p>5. RECOMMENDS THAT THE FULL COUNCIL APPROVES THE COUNCIL ENTERING INTO THE PROPOSED MEMBERS AGREEMENT AND THE FORM OF THE PROPOSED ARTICLES OF ASSOCIATION [OR IF NOT IN AN AGREED FORM AT THAT POINT] “APPROVES IN PRINCIPLE TO THE COUNCIL ENTERING INTO THE MEMBERS AGREEMENT AND PARTICIPATING IN THE INCORPORATION OF THE INTERIM VEHICLE CLG AND DELEGATES AUTHORITY FOR AGREEING THE FINAL FORM OF THE MEMBERS AGREEMENT AND ARTICLES OF ASSOCIATION TO THE STRATEGIC DIRECTOR (PLACE) IN CONSULTATION WITH THE PLANNING AND INFRASTRUCTURE PORTFOLIO HOLDER;</p>	<p>5. APPOINTS THE PORTFOLIO HOLDER FOR PLANNING AND INFRASTRUCTURE AS DIRECTOR OF THE INTERIM VEHICLE SUBJECT TO THE APPROVAL OF THE FULL COUNCIL, AND RECOMMENDS THAT THE FULL COUNCIL APPROVES THAT APPOINTMENT.</p>
<p>6. APPOINTS THE PORTFOLIO HOLDER FOR PLANNING AND INFRASTRUCTURE AS DIRECTOR OF THE INTERIM VEHICLE SUBJECT TO THE APPROVAL OF THE FULL COUNCIL, AND RECOMMENDS THAT THE FULL COUNCIL APPROVES THAT APPOINTMENT.</p>	

APPENDIX A

Summary of Key Matters – Draft Members Agreement/Draft Articles of Association

The incorporation of the Company will involve the Council agreeing, as a founding member, two principle documents. The first being the articles of association which is the legal constitutional document of the corporation which sets out how the company is constituted and the basic rules around how the company will be run. The second is a members agreement, this is a “private” contract between the member councils which regulates the relationship between them. Whilst you do not have to have a members agreement it is a very common document in these kind of joint venture type arrangements. For this Company, the members agreement protects key rights of parties with minority voting rights, being the district councils.

The key points to note for the documents are as follows:

Articles:

- The company will be established as a company limited by guarantee , to this end in principle, the council will only be liable for the amount of the guarantee (being £1) should the company be wound up. This should however, be separated from the prospect of repayment of any sums loaned or granted to the company which would also be at risk in the situation where the company is wound up.
- The board of directors shall be 11, made up of 6 independent directors and 5 directors appointed by the councils, each council having the power to appoint a director and remove that director. The Chair shall be an independent director but will not have a casting vote.
- The independent directors will be appointed following a transparent process and subject to the approval of members in accordance with the members agreement.
- Where any decision is reserved to the member councils (rather than the board of directors) then the members will have weighted voting rights. With each County having a vote representing 33% of the rights and each district having a vote which has 11% of the rights.

Members Agreement:

- At present the agreement obliges the company to apply to MHLG for all the funds required by the Company. Once the MHCLG funding has been determined the Members will be asked what level of contribution they will be willing to make.
- Contributions will either be given as a grant or the loan. State aid advice will be taken to inform this position, however even under a loan agreement, repayments are likely to be minimal. It is understood that the following funding principles are agreed but are not yet reflected in the documentation:
 - Districts will each contribute £500,000 for the first three-year business plan of the Company, and the county councils shall contribute £500,000 each per year over the same period; and
 - Funding amounts will be reviewed following the MHCLG decision on funding.

- The council may withdraw from the agreement and membership of the company by giving not less than 12 months' notice.
 - o As drafted presently the agreement provides that certain matters are reserved to the member councils to decide upon. These decisions are split into matters requiring all councils to agree to and those which require members holding not less than 75% of the voting rights (both county councils and at least 1 district council) to agree to. It is understood that the chief executives from the five councils have agreed that the approval of the annual business plan and the appointment of independent will require unanimous approval of all members which aligns with the districts' preferred position.
- The Members shall determine the business plan for the company which the Directors will enact. In this way the Members will set the scope and objectives for the company over the next 3 years, with an annual refresh.

Interim Vehicle Programme & Budget 2021/22 Options & Scenarios Paper

1. Introduction & Background

- 1.1. This paper concerns the funding options for the set up and initial operation of an Interim Vehicle for the EM Dev Co to advance proposals for the development and associated infrastructure of three critical sites at the heart of the East Midlands. The vehicle is necessary to pave the way for a new type of a locally led urban development corporation (LLUDC), which will require primary legislation. That process is likely to take at least 18 months from now. The Interim Vehicle is therefore required to progress the work ahead of the incorporation of the LLUDC and then to establish the LLUDC.
- 1.2. At its meeting in July, the Alchemy Board for the Development Corporation programme agreed to the establishment of an Interim Vehicle to be established. This was in principle and subject to the 5 directly affected authorities agreeing the details. Concurrently, the emerging business case for the work programme, which is sponsored by MHCLHG, includes a proposition for an initial tranche of work that will require funding from the UK Government. This led to a submission to government made in September 2020 as part of the Midlands Engine CSR proposition. That submission includes a request for £18.6m of funding to support the establishment and operation of the Interim Vehicle for up to three years ahead of any statutory development corporation. These costed proposals were subject to an indicative budget worked up by the team with the support of Grant Thornton.
- 1.3. In the absence of any confirmed funding support from Government, the local authority partners are contemplating how the Interim Vehicle might be supported in the meantime. There is recognition of the need to maintain momentum and there is much work for the Interim Vehicle to do. This is recognised by the local authority partners who remain keen to progress and need to consider options in the absence of funding commitment from Government. This would be for the five local authorities to finance the work and the £18.6m costs. That would have involved an initial allocation of £5.5m for the first fifteen months and it was clearly outside the means of the local authority partners to fund. Consequently, the programme team have been asked to assess options for a more restricted initial budget working within the constraints and affordability of local authority finance.
- 1.4. Concurrently, the post Covid situation means that less funding may be available than originally thought, particularly in light of the deferment of CSR 2020.
- 1.5. This paper sets out the proposed programme and budget for the Interim Vehicle during 2021/22 based on a much-reduced budget. It also sets out the associated workstreams that will be required. The programme and budget will be the first one for the Interim Vehicle whose purpose will be to establish the Locally Led Urban Development Corporation (LLUDC). It does not in itself extinguish the ask of Government for the full £18.6m but has been developed

on the assumption that funding is not realised. It aims to demonstrate that significant positive progress can be made towards realising the value and benefits envisaged, although these will be at a reduced pace and level. As such it will demonstrate that the programme can adapt on a sliding scale of funding above a certain minimum level, which the paper aims to establish.

- 1.6. The following assessment is based on the original optimal indicative budget and programme sitting behind the £18.6m.

2. Objective

- 2.1 The objective of this programme and budget is to undertake the work required to get approval for the LLUDC, including the following key elements:

- **Outline Business Case (OBC):** support Midlands Engine in progressing the HM Treasury five case analysis to produce an OBC that sets out why and how a LLUDC can deliver development and infrastructure working in partnership with the market (oversight by the Midlands Engine/Alchemy Board)
- **Vision:** establish and obtain wider stakeholder agreement on the long-term vision, objectives and principles for the East Midlands sub regional 'corridor';
- **Planning strategy:** undertake strategic masterplanning for the key growth sites to establish the development (red line) areas and infrastructure required;
- **Commercial/Delivery strategy:** develop a strategy and high-level programme for the land acquisition and infrastructure provision for each site which are critical to the progression of landowner/developer relationships;
- **Funding & Finance strategy:** establish long term cash flows of the delivery strategy and identify sources of finance required to deliver the programme;
- **LLUDC establishment:** develop a medium-term programme and budget for 2022/23 onwards including key delivery and approval milestones.

- 2.2 How does this differ from the original £18.6m proposition?

- a. The original objectives involved setting up a fully functioning shadow company with associated capability and capacity and some of this will need to be deferred with the Interim Vehicle being more reliant on the client internal infrastructure and an intelligent client approach utilising in house/secondment and likely to require a more flexible way of using external expertise.
- b. Years 2/3 including the establishment of commercial delivery arrangements and detailed planning may need to be deferred to be part of the transition to the statutory Development Corporation budget i.e. post Interim Vehicle, but this will be subject to annual review.

- c. A critical objective of the IV will be leveraging additional funding for the programme at an earlier stage in order to progress, whereby the £18.6m in terms of some of the expertise costs enabled the IV to progress elements of work at an earlier stage of the process e.g. Ratcliffe masterplanning significantly reduced cost and no allowance for planning/design fees in this scenario.

3. Options/Scenarios

- 3.1 In putting together an alternative programme with a significantly reduced budget, consideration has been given to the following options or scenarios for the Interim Vehicle activities:

- a. LLUDC business case only (i.e. base case): this option would entail delaying any work relating to the development sites and infrastructure until later;
- b. Match funding from Government: seek and obtain match Government funding;
- c. Prioritise specific development sites: this option would entail identifying and prioritising the site or sites where the work can be progressed earlier;
- d. Prioritise activities across all three sites: this option would identify the activities that can progress the LLUDC work across all three sites;
- e. Contributions from other parties: understand the scope for contributions from wider partners e.g. Homes England, land owners, universities, LEP etc);
- f. Abandon the project: this would entail local authorities to work with the private sector to take forward the development of the sites in a traditional manner.

- 3.2 An analysis of the pros & cons of the above options/scenarios has identified that a combination of 2, 4 & 5 is the preferred or optimum approach because:

- further work to enable and position the sites for development will be required to progress the approval of the LLUDC, including bringing forward strategic infrastructure funding;
- building on the work to date, continued momentum will be critical in developing the commercial relationship between the public and private sector in a complex delivery landscape;
- undertaking work only for a or some specific sites would create an opportunity for the private sector to pursue its own plans and undermine the overall vision with little certainty to drive delivery across all the sites;
- contributions from partners and match funding from Government should be sought as the work to be undertaken would provide benefits for them as demonstrated through the outline business case;
- abandoning the project would be a lost opportunity to grow the East Midlands.

4. Interim Programme, budget & risks

- 4.1 This section outlines the key programmes and the associated budget for this plan.

a) Programmes

The proposed key programmes together with milestones during 2021/22 are as follows:

Table 1: Year 1 Interim Vehicle Programme Deliverables

	DELIVERABLES & MILESTONES	DEPENDENCIES/ CRITICAL ISSUES
	CORPORATE DELIVERABLES (Across all 3 sites)	
1	Outline High Level Plan (part 1)	Progression and approval of IV budget and LLUDC business case
2	Support LLUDC Business case coordination external advice (across 3 sites)	Continued Support of Government
3	Financial, Legal, Structuring/Fund Raising advice (across 3 sites):	Year 1, soft market testing, and alignment with commercial and public sector financial requirements
	TOTON & CHETWYND	
4	Approval by Broxtowe BC of Strategic Masterplan /SPD	Establish the policy parameters for progressing development and infrastructure Q2/ 2021
5	HS2 Hybrid Bill alignment with Toton and Chetwynd strategic masterplan	Decision critical for progression towards type of infrastructure and development aspirations, particularly the innovation and UK Biodiversity hub (Q1 2021)
6	Toton & Chetwynd Technical and feasibility studies and site investigations to inform the development brief	Ongoing work programme and budgets for tranche 2 funding for highway scheme progression of land strategy, and HS2/strategic rail review
7	Feasibility for a skills academy (alongside development of ZERO, commence feasibility as part of Business plan/CSR)	Agreed scope and brief for OBC - (early ask through CSR OF £200K in Y1)
8	Land strategy and acquisition/agreement/land equalisation (inc CPO strategy), negotiations & commercial/ financial structure – ongoing and align negotiations/HOT with emerging commercial strategy	Pre discussions with landowners inc allowance for technical work - critical progression of agreements with HE/DIO on Chetwynd barracks being fully incorporated as part of a comprehensive integrated approach
9	Revised Business case for early infrastructure ask for Toton & Chetwynd link road alongside feasibility design requirements aligned with the emerging masterplan	Agreed gateway approved by Government for a reshaped funding bid through CRS/ SHIF for the Toton & Chetwynd link road, assuming technical information and feasibility work enough to develop masterplan into business case suitable for a funding bid. Review link through Swinney Way alongside revised business case.
	RATCLIFFE ON SOAR	

10	Establish basis for alignment of proposition for Ratcliffe including, potential private sector partners, government, Dev Co and Rushcliffe BC	Develop alongside Zero business case and Freeport, Public sector agreed position on negotiations with landowners.
11	Strategic policy alignment and negotiations to shape Ratcliffe Policy framework to inform land strategy in addition to Arup's existing commission, but also will require commercial land strategy/ statutory planning alignment	Agreed position with Rushcliffe BC on a strategic planning approach
12	Collaboration agreement as appropriate -- negotiation of commercial Heads of Terms	Alignment of aspirations for Ratcliffe power station and agreed strategy and funding route for progressing ZERO, with partners including universities, industry and Government
13	Concept Masterplan & infrastructure and site investigations early site scoping feasibility/ prep of brief and procurement	Subject to agreed position on policy framework, and collaboration agreement including split of costs.
14	Alignment of infrastructure funding with LLUDC business case	progression of funding bids aligned with LLUDC business case
	EMAA	
15	Parameters for EMMA growth masterplan and policy Framework (developing the vision and potential asks (spatial, infrastructure asks, powers). Initially Develop scope and red line for development area / baseline	Co-ordination with any Freeport proposition, in which the business case is being developed separately through the LEP's.
16	Develop scenarios and strategic masterplan and infrastructure Plan	Agreement of core parameters and aspirations with partners & LPA
17	develop evidence base	To support policy framework
18	Land strategy and negotiations.	LPA agreed position on policy development framework for a Local Plan review

b) Budget

The high-level outline budget for 2021/22 to deliver key programmes is as follows:

Table 2: Indicative Budget

Work streams	Budget	Contingency (5%)	Inc contingency
Corporate team and advisory (all sites split equally)			
Corporate Toton	270,666	13,533	284,199
Corporate Ratcliffe	270,666	13,533	284,199
Corporate EMA	270,666	13,533	284,199
Sub Total 1	812,000	40,599	852,599
Corporate Team deliverables (all sites)			
High level plan across all sites	100,000		

Support LLUDC Business case coordination	100,000		
Financial, Legal, Structuring/Fund Raising advice	180,000		
Sub Total 2	380,000	19,000	399,000
Shared Pool of Expertise			
Toton professional and technical teams	400,000	20,000	420,000
Ratcliffe professional and technical	400,000	20,000	420,000
EMA (professional and technical)	400,000	20,000	420,000
Sub Total 3	1,200,000	60,000	1,260,000
Grand Totals	2,392,000	119,599	2,511,599

4.2 Match funding from Government is being sought as described in paragraphs 1.2 to 1.3 above. For the purposes of this exercise it is assumed a continuation of the existing funding levels from Government for the development corporation programme i.e. a minimum of £1m per annum.

4.3 Potential third-party contributions will be sought from the following:

- Homes England: revised Toton & Chetwynd link road through a bespoke funding package linked to the Development Corporation e.g. the CSR 2020 investment ask or SHIF submission together with contributions to progress the Toton early development masterplanning¹, and site preparation work;
- Strategic landowners: contributions to progress with respective masterplanning and site enabling work at Ratcliffe and EMAA and (subject to collaboration/MOU in place); and
- Government, LEP's, Industry partners & Universities/UKRI research and innovation funding: funding to progress the Zero work and attracting inward investment opportunities.

Complementary/associated work

4.4 The following complementary or associated work is assumed by this plan to be largely led and undertaken by partners or third parties:

- Connectivity work involving:
 - TfEM and Midlands Connect: wider transport work across the East Midlands corridor;
 - Notts and Leics CC highway authority work;
 - Agencies of Gov't including Highways England; NR and Hs2 Ltd
- Local Authority planning work;
- LEP's
- Midlands Engine & Partners

¹ This is different to the Strategic Masterplan that will provide the policy framework through an SPD alongside the Broxtowe BC Local Plan for bringing forward development at Toton & Chetwynd

c) Risks

4.5 The key risks that could affect the delivery of this programme in line with budget are:

- Funding: Contributions from Local Authorities and Government may be lower than the indicative budget and there is uncertainty beyond year one. Year 2 programming will be dependent on annual review and/or successful funding bids. Mitigation: On-going discussions with local authority partners and Government.
- Local Government Funding might be dependent on UK Government providing match funding. Mitigation: as above on-going discussions and seeking agreed funding levels in principle where necessary.
- Reduced budgets subject to annual review will affect the experience, capacity and capabilities of the client team with limited one year fixed-term positions. Mitigation: the application of flexible approaches through procurement, secondments, training and development.
- Reliance on third parties – the reduced intensity of government (national and local) backed activity, when compared to the original programme, will likely increase the reliance on other arrangements and/or reduce the ability of the team to deliver public sector aspirations. Mitigation: continue to seek additional public sector resource in addition to flexible approaches with partners through MoU and JV agreements as appropriate.
- Summary of Key dependencies for the 3 sites in year 1:

Table 3: Dependencies

Site	Dependencies
Toton & Chetwynd	Integrated Rail plan for the North
	Approval of the Toton & Chetwynd Strategic Masterplan
	Agreement on the alignment of Chetwynd Barrack with Homes England & the DIO
	Agreed route for the funding of the Toton & Chetwynd Link Road
Ratcliffe	Agreed planning policy position
	Agreed approach with Land owner
	Progression and support of the Zero concept
EMAA	Agreed planning policy approach

	Development of agreed approach for a strategic masterplan and infrastructure plan
	Key landowner and business partner buy in.
General/ Complimentary	Alignment and a coordinated approach to the wider Midland Connect and access to Toton strategy
	Alignment of the Freeport proposals with EMAA and Ratcliffe

5. Conclusions

- 5.1 The proposed alternative programme and budget plan for the Interim Vehicle set out in this paper is designed to achieve the objective of progressing the work required to get approval for and put in place the LLUDC. It demonstrates a flexible approach that enables the programme to deliver significant benefits. At the same time, should additional funding be forthcoming from the UK Government some or all the original programme activities can be flexibly applied to deliver additional benefits.
- 5.2 The programme and budget will be reviewed on an annual basis with a second-year budget subject to agreement of a medium-term programme and satisfaction of key milestones being achieved including the continued commitment on the establishment of a LLUDC from Government. The financial realities post Covid mean that this plan might not include enough funding to progress the work required as outlined in this paper if financial contributions cannot be achieved from Government/third parties and if resources/funding is not protected for the complementary/associated work outlined above. However, this options paper has demonstrated that a working budget of £2.5m for the first 12 months would be enough to progress the commercial agreements together with the detailed delivery and infrastructure plans especially with contributions from other partners and third parties.

EM DevCo – High Level Issues and Risks LOG

	STRATEGIC RISK	DESCRIPTION	IMPACT	MITIGATION
1	HS2 Delivery	The Development Corporation Programme and need for a locally led delivery vehicle emanates from the region's HS2 Growth Strategy which identified the need for scalable investment planning and the need for added capacity to deliver at that scale. HS2, continues to be subject to delivery uncertainties which may impact on the development corporation.	HS2 is an important part of the development corporation and supporting economic growth narrative, especially in relation Toton and Chetwynd. Uncertainty over delivery will affect levels of certainty around the economic and job outcomes and the delivery of supporting infrastructure plans as highlighted through 'Access to Toton' and join working with Midlands Connect.	The region remains fully committed to securing HS2 and the wider benefits it can bring. At the same time, we have three well located sites each the size of an Olympic park near the M1 and public transport assets. The case for better co-ordination, integrated planning and investment at scale involving public and private sectors remaining strong. There is a unique and complementary growth story for each site and at Toton and Chetwynd the opportunity for early development in the east of the site. In short, whilst this would be an excellent addition to the HS2 proposals at Toton, it is not dependent on any future HS2 decisions and stands up in its own right as part of growth proposals for the three locations. The EM DevCo can facilitate a co-ordinated approach in what is a complex development environment with attention to enabling infrastructure to deliver quality and connecting surrounding communities.
2	COVID Economic Impact	COVID-19 is having a devastating impact on the country's economy. It has accelerated several trends that were already emerging in the development and technology sectors.	Higher unemployment rates. Financial and investment uncertainties. The acceleration of trends that are likely to have a profound impact on our built and natural environments that may present uncertainties in the short term.	The strategic and economic case for the development corporation are framed by Covid and post-Covid economic growth and productivity. The interventions will enable the early delivery of jobs and homes, which will contribute to recovery from Covid-19, as well as putting in place important early stage components of the clean growth strategy that will ensure the EMDC can deliver both green and inclusive growth. This will contribute to the delivery of the Government's commitment to a legally binding target to achieve net zero greenhouse gas emissions by 2050. Market and economic uncertainty – as the early win projects involve the public sector delivery of infrastructure in the initial period, this risk is mitigated and for example development plots will be ready as Covid-19 recovery accelerates. The strategy recognises the regeneration and growth of the nature proposed over a 20+ year period will run over

				several economic cycles and as such will require an approach to delivery that has flexibility to adapt to changing market conditions.
3	Government Funding	Delivering the scale of ambition requires Government funding to enable and provide the impetus for external investment to deliver the growth ambition.	The full proposition assumes significant Government investment in both the vehicle and ultimately in supporting infrastructure. With reduced or no Government funding the ability to deliver the Dev Corp will be adversely affected.	The Programme Team have run several scenarios to consider a range of funding options. These will highlight that even with a limited budget significant progress can be made towards achieving the objectives of the programme. These include advancing detailed plans, business cases and investment partnerships to deliver development and infrastructure investment at Toton & Chetwynd; Ratcliffe-on-Soar; and East Midlands Airport Area. The programme of work, to be set out in an annual business plan will be amongst the first order of business for EM DevCo. Funding will be subject to annual review.
4	ZERO	Clarity on the proposition for 'Zero' and what it means for the development of the sites.	Need to be able to position strongly to secure genuine transformative impact and a step change from traditional development towards a development of international significance that can attract global names and levels of investment. Anchored in the region and with a global reach.	The concept is being developed with the region's leading Universities; Industry; Midlands Engine and ERA and a clear proposition is anticipated prior to the incorporation of EM DevCo. Working to the region's strengths and centres at Ratcliffe with demonstrator opportunities across the three sites.

5	Business Case approval	The business case and process for establishing a statutory vehicle is subject to Government approval and associated Parliamentary processes.	Without Government approval a Statutory Development Corporation cannot be created and the regional benefits, including an integrated approach to planning and funding with the necessary powers to deliver higher levels of investment and levelling up for the region could not be achieved.	<p>The proposals have been endorsed by stakeholders from across the region through the Alchemy Board.</p> <p>Every opportunity taken to influence government policy including consultations on development corporations, planning white paper. The latter including specific reference to the East Midlands development corporation programme.</p> <p>Ongoing close collaboration with Government Officials.</p> <p>Clear benefits and a strong business case for intervention developed with the support of the Interim Vehicle linked to national priorities including levelling up and post-Covid recovery. The Interim Vehicle provides the opportunity to hit the ground running as part of post-Covid recovery, whilst maintaining momentum and providing support to the establishing of a statutory development corporation.</p>
6	Freeport Alignment	That other business case submissions might miss align with development corporation programme i.e. the freeport proposition.	Business cases developed by others may look to capture similar benefits, duplicate and/or present evidence in such a way as to undermine the development corporation business case and as such the opportunity may not be realised.	Statements of Intent (or shared principles) have been established where appropriate to ensure alignment between initiatives e.g. between the development corporation and freeport propositions. Governance arrangements will ensure that proposals are complementary whilst ensuring close working between initiatives and partners.
7	Locally-Led Development Corporation	The potential for the development corporation to not be locally led.	There are two models of democratically accountable governance for development corporations. Those being direct central control from the Secretary of State or alternatively a locally-led model with an oversight	There is an on-going engagement with Government on the shape of a new locally led variant linked to consultation on development corporations earlier in the year. As an interim vehicle, EM DevCo will be set up to mirror the governance arrangements of a Locally led Urban Development Corporation. This will include an Oversight Authority of local authority members to which the independent Board will be accountable. The transition to a statutory vehicle will ultimately require the agreement of each partner local authority.

			authority involving the local authority family.	
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CABINET, TUESDAY 10 NOVEMBER 2020

ADDENDUM TO ITEM 7 - BUILDING CONTROL - PROPOSAL FOR FUTURE SERVICE DELIVERY

Further to the publishing of the Cabinet report officers have continued to assess how the Council will deal with the projected deficit arising on the Building Control Fee Earning account at the point at which the service is transferred to Charnwood Borough Council. Additionally, officers have also been assessing how the Council will deal with jobs “in the system” which have been paid for and may have not been started or are part complete (as outlined in paragraph 4.8 of the report).

Forecast deficit arising on the fee earning Building Control account to December 2020

As detailed in the report, officers are working up a project implementation plan with key steps, including that contracts are agreed in December 2020, to ensure that the delegated service to Charnwood Borough Council commences on 4 January 2021. This means that the period which the Council manages the service will cease on 3 January 2021.

For the period from April 2020 to 3 January 2021, it is forecast that a deficit will arise on the fee earning account. Ordinarily, any surplus or deficit position on the fee earning account is maintained separately.

The forecast deficit position for the period April 2020 – 3 January 2021 is currently being assessed but considered to be in the region of £50k. Subject to confirmation of this value it is proposed that deficit is ‘repaid’ through reserves, negating the impact of the deficit on the Council’s General Fund.

Jobs in the system

It has been recognised that there is a need to support Charnwood Borough Council with a payment for “jobs in the system” for which the Council have already received the fee income. It has been estimated that the maximum total exposure identified, based on jobs with outstanding inspections and associated work over the last three years will be a maximum of £112,000 based on the proportion of fee income for these jobs.

It is, however, anticipated that the actual amounts paid to Charnwood Borough Council will be considerably lower as the charge will be based on the cost of undertaking the inspection and associated works.. Discussions remain ongoing with Charnwood Borough Council as to the annual mechanism and process for this financial support.

Any payment required to be made for the period Charnwood Borough Council manage the service within the 2020/21 financial year will be met through reserves. Payments in respect of future years will be estimated within the annual budget for future financial years. It has been agreed with Charnwood Borough Council that these arrangements will be reciprocated in any termination/exist scenario, meaning that the Council would not be out of pocket for undertaking historical inspections upon re-provision of the building control service.

RECOMMENDATION:

THAT IN ADDITION TO THE RECOMMENDATIONS IN THE MAIN REPORT, CABINET:

- 1) APPROVE THE TRANSFER FROM RESERVES TO COVER THE PROJECTED DEFICIT ON THE FEE EARNING ACCOUNT FOR THE PERIOD APRIL 2020 – 3 JANUARY 2021; AND**
- 2) DELEGATE APPROVAL FOR ANY ADDITIONAL PAYMENT TO CHARNWOOD BOROUGH COUNCIL FOR “JOBS IN THE SYSTEM”, IDENTIFIED BY THE BUILDING CONTROL MANANGEMENT BOARD, TO THE STRATEGIC DIRECTOR OF PLACE IN CONSULTATION WITH THE PLANNING AND INFRASTRUCTURE PORTFOLIO HOLDER TO BE MET FROM RESERVES FOR THE 2020/21 FINANCIAL YEAR AND BUDGETED WITHIN THE GENERAL FUND FOR FUTURE YEARS**