

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 18 FEBRUARY 2020



Title of Report	MIDLANDS ENGINE DEVELOPMENT CORPORATION	
Presented by	Cllr Robert Ashman Portfolio Holder for Planning and Infrastructure	
Background Papers	None	Public Report: Yes
		Key Decision: Yes
Financial Implications	<p>A £100,000 provision has been included in the 2020/21 General Fund Revenue budget that is due to be approved by Council at its meeting on 25 February 2020, for the purposes of making a financial contribution to establishing the programme team of the Development Corporation (DC).</p> <p>Financial implications in relation to business rates arising as a result of the DC will be assessed, however, it is not intended that existing rates received by the Council are redirected to the DC.</p>	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	As detailed within the report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	As detailed within the report	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	<p>To update Members on the Development Corporation (DC) programme and seek endorsement to next steps including a statement of intent.</p> <p>Of the three proposed sites for the DC, one is located in North West Leicestershire (East Midlands Airport). The establishment of DC would therefore have an impact on the Council and so it is important that Councillors support the ongoing involvement of the Council in the development of the business case and the DC as the work progresses.</p>	

Reason for Decision	If established and supported with the required resources and expertise, the DC would attract nationally and internationally significant investment and development into the East Midlands. This would support the developments at East Midlands Airport (EMA) with improvements to connectivity on a scale and at a pace that could not be achieved by the Council or EMA acting alone
Recommendations	<p>THAT CABINET:</p> <ul style="list-style-type: none"> A) ENDORSES THE STATEMENT OF INTENT (APPENDIX 1) WHICH HAS BEEN AGREED BY RELEVANT LOCAL AUTHORITY CHIEF EXECUTIVES AND WHICH SETS OUT THE SHARED ASPIRATIONS OF THE LOCAL AUTHORITIES FOR THE DEVELOPMENT CORPORATION PROPOSITION. B) ENDORSES NORTH WEST LEICESTERSHIRE'S PARTICIPATION AND INVOLVEMENT IN THE ESTABLISHMENT OF A SUITABLE INTERIM DELIVERY STRUCTURE CREATED TO UNDERTAKE DEVELOPMENT ACTIVITIES IN ADVANCE OF THE ESTABLISHMENT OF A STATUTORY LOCALLY-LED DEVELOPMENT CORPORATION. C) SETS UP A MEMBER WORKING GROUP TO BE REGULARLY CONSULTED ON THE PROGRESS OF THE DEVELOPMENT CORPORATION WORK OVER THE NEXT TWO YEARS, DURING THE PERIOD OF THE INTERIM DELIVERY VEHICLE.

1.0 SUPPORTING INFORMATION

- 1.1 In October 2018 Government announced £2m of funding to explore the business case for a locally led development delivery vehicle for the East Midlands. The catalyst for establishing a focussed delivery vehicle was HS2 and proposals for a new hub station at Toton. The East Midlands HS2 Growth Strategy published in September 2017 established the regions ambitions to maximise the opportunity presented by a scale of investment not seen for several generations.
- 1.2 Development corporations have been used successfully since the post-war period to deliver complex and co-ordinated delivery of development and infrastructure at scale. These have included New Town Development Corporations (NTDCs) and Urban Development Corporations (UDCs) for the renewal of former industrial areas such as Canary Wharf in London. More recently other forms of Development Corporation are now emerging, that are locally led, and which can pump prime investment and economic growth in those areas.
- 1.3 The Midlands Engine development corporation programme was asked to consider three geographical areas in the East Midlands including Ratcliffe on Soar Power Station and

Toton and Chetwynd Barracks in Nottinghamshire, and East Midlands Airport in Leicestershire.

The Proposition

- 1.4 For the purposes of Government assessment, the development corporation team (comprising paid officers and staff from expert consultancies) are considering a range of different scenarios. The initial analysis indicates that the emerging proposition could deliver:
- 4,500 homes;
 - total employment of over 40,000¹ jobs across the three areas, with a net additional 84,000 jobs across the region;
 - 1 million tonnes of freight handled at East Midlands Airport per annum;
 - A wildway connecting the three areas through the existing blue and green infrastructure;
 - £4.8bn GVA growth per annum for the region.
- 1.5 The potential of each site has been considered by the consultant team commissioned by Nottinghamshire County Council on behalf of Midlands Engine and this has generated the numbers stated in paragraph 1.4 above. The propositions are summarised as follows:

Ratcliffe on Soar Power station, privately owned by Uniper UK Ltd

Proposals for employment-led development through a joint university and industry research and demonstrator facility are being drawn up. This would build on the energy-generating heritage of the site and wider region. A range of complementary uses are also being explored, including a new skills centre, energy generation, data storage, and advanced manufacturing. Consideration is also being given to the potential for 'freeport'² status with East Midlands Airport. In total, the emerging proposition highlights the potential to deliver up to 20,000 jobs.

Toton and Chetwynd Barracks

Proposals centre on Toton and Chetwynd Barracks that include a mix of housing and employment, including the potential to deliver around 4,500 homes and up to 6,500 knowledge driven jobs. It will provide a highly connected community. The area will have unrivalled national, regional and local public transport links. The vision of a station in a park with a mixed-use innovation campus connected to the three development locations via a network of blue and green infrastructure, including the River Erewash and the Erewash canal.

East Midlands Airport

East Midlands Airport is a major economic driver for the East Midlands economy. Some 9,500 people are employed at over 100 businesses across the airport site. To the immediate north of the airport lies the 700 acre East Midlands Gateway served by a major new rail freight terminal. The gateway will create 7,000 additional jobs on completion. The development proposition will include sustainable growth and acceleration of the freight

¹ Includes existing and new employment

² Freeports, also known as 'free zones' or 'free trade zones', are a type of special economic zone. They are within a country's physical border but are considered to be outside of the customs border and attract economic benefits.

handling capacity beyond existing growth plans. There is also consideration being given to the potential for ‘freeport’ status in the area.

- 1.6 Each key site is significantly in excess of 200 hectares and therefore offers a scalable proposition. Together they have the potential to drive a level of co-ordinated investment in the enabling infrastructure not seen for several generations. It is intended that the whole region stands to benefit from this infrastructure; together with the skills, knowledge and capacity offered by a development corporation. These qualities are likely to be transferable to the region and the programme will continue to actively engage with, and consider, how proposals will complement and align with the plans and aspirations of partners across the region including the Local Industrial Strategies of the regions LEP’s.
- 1.7 The infrastructure under consideration will include social, environmental and physical infrastructure including transport, digital and utilities. Specific measures will include improved roads and a concerted focus on a comprehensive approach to public transport provision reflecting the findings and recommendations of the East Midlands Gateway Connectivity Study. Delivery will involve close working with Midlands Connect. Ultimately, the proposition will demonstrate the investment case for much needed supporting infrastructure and how it will optimise and accelerate the potential of the area.
- 1.8 The programme of work has a strong focus on inclusive growth. Specifically, the initiative will consider skills and training. It will provide an opportunity to consider integrated approaches working with industry, education and research institutions. This will reflect the on-going restructuring of the economy with continued technological advancement. A hub and spoke (connectivity) approach should help to link areas of higher deprivation to the opportunities here.
- 1.9 Finally, the proposal makes provision to enhance the natural environment by creating a wildway, linking the areas distinctive green infrastructure that connects the three development locations alongside the River Trent; River Erewash; River Soar and the canal network; and Attenborough Nature Reserve which all underscore the areas credentials as an attractive place to live and do business.

Programme Governance

- 1.10 The development corporation programme is a Midlands Engine initiative and brings together a diverse range of partners from across the public and private sectors. The programme is governed by an Oversight Board supported by an Executive Group. The Oversight Board is made up of leaders from the region’s upper tier local authorities and directly affected districts (including North West Leicestershire) alongside private sector; business community; central government; LEP’s; and university representatives. The Executive Group is a smaller group of executive officers (shared rotating representation with North West Leicestershire District Council, Broxtowe Borough Council and Erewash Borough Council). Both are chaired by Sir John Peace, as chairman of the Midlands Engine.
- 1.11 The business case will set out to Government the preferred option and demonstrate how it meets the criteria for public-sector intervention. It establishes a case for change, a value for money assessment, commercial viability, financial affordability, and a route to delivery. The detail of some of the key elements is still being developed. The local authority Chief

Executives have proposed a statement of intent (Appendix 1) to set out the shared aspirations of the local authorities for the development corporation proposition.

- 1.12 The development corporation programme team is actively engaging local stakeholders to inform the thinking. This includes through the Oversight Board and Executive Group; weekly conference calls with local authority chief executives; active participation in the programme team; regular briefings with LEP's and local authorities; and with other stakeholders.
- 1.13 Work is continuing on an outline business case for the development corporation with a formal submission to Government anticipated for Spring 2020. The initial work has developed a strategic case. It has also critically highlighted the lack of any off-the-shelf model in statute to deliver the regions aspirations for a locally led approach of the kind envisaged. Coincidentally and concurrently in late 2019, the Government undertook a consultation on the effectiveness of the legislation governing development corporations.
- 1.14 The Government consultation is understood to, at least in part, seek views and ideas on whether the current and complex legal framework might inhibit the establishment of certain types of development corporation otherwise attractive to local areas and possible solutions. The Midlands Engine submitted a response to this consultation with the benefits of the learning from the work being undertaken to date in the East Midlands to the effect that there is a need for a new hybrid model. The outcome of the consultation is awaited, and further updates will be provided.
- 1.15 The need for legislative changes to establish this hybrid model of development corporation, means that a statutory development corporation may take some time to come into effect. In the meantime, a non-statutory interim vehicle may be established with the agreement of partners. The arrangements and the team to set up and operate this vehicle will emerge during the coming months, but it will continue to involve all the directly affected local authorities as part of the oversight function. It may require for further funding and resources being sought from partners both in terms of expertise as well as possibly some financial support.

MIPIM 2020

- 1.16 As part of the programme, the Midlands Engine team will be looking to test the emerging proposition for the development corporation with the international investment community. MIPIM (in French, Le Marché International des Professionnels de L'immobilier) is the world's leading property exposition, bringing together the most influential players from across international property and associated investment sectors. Many of the UK's key development projects are showcased here and the regions of the UK are represented as part of profiling and securing investment for their areas. It takes place from 10-13 March.

2.0 STRATEGIC LINKS

- 2.1 While the case for the development corporation is a Midlands Engine initiative, the Council's involvement in the DC or decisions around this theme, link or potentially link with the following strategic aims or policies:

Council Priorities:

- 2.1.1 Support for businesses and helping people into local jobs – match local people with skills and jobs, support new and growing businesses to create jobs and help young people into work.
- 2.1.2 Our communities are safe, healthy and connected – put our customers at the heart of what we do and increase connectivity throughout our communities.

3.0 SUSTAINABILITY / CARBON NEUTRAL

- 3.1 Beyond the economic benefits, the developments will enhance and improve the environment, take account of the need to reduce emissions and achieve net gains in natural capital.

4.0 ALTERNATIVE OPTIONS / OPPORTUNITIES

- 4.1 As part of the business case process two different scenarios (the reference case i.e. the benchmark / comparator position to what the DC would deliver and the proposition, the DC) are being tested to help demonstrate the value that a development corporation could bring; this is standard practice for the assessment of business cases by Government.
- 4.2 The alternative for North West Leicestershire District Council is to not support this proposal. However the DC could continue without the support of local authority partners, although this would be far from ideal. Therefore it is important that the Council continues to be involved so that the Council can play a key role in shaping the DC to ensure the delivery of maximum benefit for North West Leicestershire and the region.

5.0 RISKS AND UNCERTAINTIES

- 5.1 There is a risk that the DC will progress anyway without North West Leicestershire's involvement meaning the Council do not have a seat at the table to shape the vision for the DC its impact on North West Leicestershire and the region.
- 5.2 In addition there are risks that the DC does not get approval or the required level of funding and so it does not progress. This would mean that the Council need to continue to work proactively and closely with EMA and landowners in the area around EMA on future development opportunities.
- 5.3 There are still a number of uncertainties around the exact implications on things such as planning powers and business rates. The statement of intent however is designed to mitigate those concerns in lieu of the detail. As further details emerge however further reports and updates will be provided as required.
- 5.4 During the next proposed phase in the interim non-statutory vehicle, the Council would remain as local planning authority. Beyond this planning powers would be subject to further consideration as part of the establishment of the legal entity.
- 5.5 The initial vision from Government was around maximising the benefit of HS2. If HS2 does not go ahead as currently proposed, there is still benefit in further exploring the development corporation proposition due to the scale of the sites and the resources and expertise required to develop these sites to be nationally and internationally significant. The Government appears to be committed to the proposition of development corporations and is inviting interest for up to ten new development corporations across the country.

6.0 OTHER CONSIDERATIONS

Financial Implications

- 6.1 The main financial implication of this proposal is the potential loss of future growth business rates to the Council. However, development corporations do not have the powers to collect business rates in the UK and are unable to do so without legislative change. A number of alternative approaches have been used to retain business rates within designated areas which could be considered if there is an appetite to do so. Three such approaches reviewed by the DC consultant team are Enterprise Zones (EZ), Combined Authorities, and Special Economic Areas.
- 6.2 The discussions currently are that it is not intended that existing business rates are redirected from local authorities to the development corporation (as reflected in the statement of intent). There is an opportunity for rates collected above a baseline level, created through business growth, to provide additional funding to both the councils and the DC.
- 6.3 In addition there are potential financial implications in the establishment of the programme team for the DC, both at the interim stage and once established. There may be a request for partners to contribute financially or with staff. This will be considered should any request be forth coming and be brought to councillors as required. Provision has been made in the forthcoming 2020/21 Council budget for an allocation towards this work.

Legal Implications

- 6.4 It is currently envisaged that a bespoke statutory locally-led Development Corporation will need to be created in order to deliver the Midland Engine objectives. Creation of this model is not currently possible under existing legislation. Therefore, in order to create the DC, changes in legislation will be required and it is envisaged that the timescale for this is around 2 years. In the meantime, it is proposed that there be put in place an interim structure by way of a Company limited by shares in which the shareholders would comprise the relevant local authorities.
- 6.5 Once the necessary legislation is in place for the DC this could impact on statutory responsibilities of the Council in the identified red line area. By being involved in this process councillors and officers from North West Leicestershire are able to review the proposals as they emerge and update councillors as required.

7.0 COMMUNITY SCRUTINY COMMITTEE

- 7.1 This report on the development corporation proposition was considered by the Community Scrutiny Committee at its meeting on the 12th February 2020. The comments of the Scrutiny Committee will be sent to members of Cabinet as an additional paper in advance of the Cabinet meeting.

8.0 NEXT STEPS

- 8.1 The DC Project Team will submit the outline business case to Government in Spring 2020. Due to the required legislation changes required to enable the establishment of the type of development corporation being proposed it is unlikely that the formal DC would be in place until 2022 at the earliest.
- 8.2 The Chief Executive and Officers from the Council continue to be engaged in weekly conference calls as well as focussed workshops to help shape the final stages of the outline business case. In addition the Leader attends the Oversight Board to ensure that the ambitions of North West Leicestershire and partners are reflected.
- 8.3 As outlined the proposal is for an interim structure to be established to ensure that momentum is maintained. It is proposed that this structure would have a board of shareholders made up of local authorities in the areas directly affected by the DC including North West Leicestershire District Council. As further details of this emerge they will be shared with councillors for approval as required.

Policies and other considerations, as appropriate	
Council Priorities:	Support for businesses and helping people into local jobs Our communities are safe, healthy and connected
Policy Considerations:	None identified.
Safeguarding:	None identified.
Equalities/Diversity:	None identified at this time.
Customer Impact:	Detailed in appendix 1.
Economic and Social Impact:	Detailed in appendix 1.
Environment and Climate Change:	Detailed in section 3 above.
Consultation/Community Engagement:	The development corporation programme is a Midlands Engine initiative and brings together a diverse range of partners from across the public and private sectors, including relevant Local Authorities. There has been no community/public engagement.
Risks:	Detailed in section 5 above.
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