



**Cabinet**

**Tuesday, 11 February 2020**

**Midlands Engine Development Corporation**

## **Report of the Chief Executive**

**Portfolio Holder for Strategic and Borough Wide Leadership Councillor Simon Robinson**

### **1. Purpose of report**

- 1.1. In October 2018 the Government announced funding of up to £2m to explore the business case for a locally led development delivery vehicle for the East Midlands. This would cover three geographical sites in the East Midlands: Ratcliffe on Soar power station, Toton and Chetwynd Barracks, and East Midlands Airport. In June 2019 Nottinghamshire County Council, on behalf of the Midlands Engine, commissioned the preparation of an outline business case for a Development Corporation.
- 1.2. The outline business case for the Development Corporation is due to be submitted to Government for consideration in Spring 2020. Legislation shall need to be passed to establish the Development Corporation, it is therefore unlikely that the Development Corporation would be established until 2022 at the earliest. In the interim period a non-statutory interim vehicle is proposed with the agreement of partners. The interim arrangements will be developed during the coming months and will continue to involve all the directly affected local authorities as part of the oversight function. Due to the possible funding and resource implications a Development Corporation Reserve of £100k from 2019/20 is proposed in order to support the project.
- 1.3. Of the three proposed sites for the Development Corporation, one is located in Rushcliffe (Ratcliffe on Soar powerstation). The establishment of the Development Corporation would therefore have an impact on Rushcliffe Borough Council and so it is important that Councillors support the ongoing involvement of the Council in the development of the business case and the Development Corporation as the work progresses.

### **2. Recommendation**

It is RECOMMENDED that the Cabinet:

- a) endorses the statement of intent prepared and approved by the Development Corporation Oversight Board,

- b) supports Rushcliffe Borough Council's involvement in the establishment of the Development Corporation and the required interim arrangements,
- c) notes the potential budget impact of the interim arrangements,
- d) 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; and
- e) refers this report to Council on 5 March for Council endorsement.

### **3. Reasons for recommendation**

- 3.1. If established and supported with the required resources and expertise the Development Corporation would attract nationally and internationally significant investment and development into the East Midlands and more specifically in to the Ratcliffe on Soar Power Station site. This type of investment is not something that Rushcliffe or the power station could attract on their own.
- 3.2. Following the Government announcement regarding the decommissioning of coal-fired power stations in 2017 Ratcliffe on Soar Power Station is due to be decommissioned by 2025. This will have a significant impact on the Borough both financially (loss of business rates) and with the potential to have a very large derelict site at the entrance to the Borough from the A453. The Development Corporation would provide greater certainty on the redevelopment of the site, leveraging investment and resources to support delivery.

### **4. Supporting information**

- 4.1. 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.
- 4.2. 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.
- 4.3. 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**

- 4.4. For the purposes of Government assessment, the team are considering a range of different scenarios. The initial analysis indicates that the emerging proposition could deliver:
- 4,500 homes
  - total employment of over 40,000<sup>1</sup> 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.
- 4.5. The potential of each site has been considered by the consultant team and this has generated the above numbers. The propositions are summarised as follows:

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

Employment-led development proposals 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<sup>2</sup>' 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. This 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

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<sup>1</sup> Includes existing and new employment

<sup>2</sup> 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.

will create 7,000 additional jobs on completion. The development proposition will include sustainable growth and acceleration of the freight handling capacity beyond existing growth plans. There is also consideration being given to the potential for 'freeport' status in the area.

- 4.6. 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 region's LEPs.
- 4.7. 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.
- 4.8. In considering inclusive growth, 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 approach should help to link areas of higher deprivation to the opportunities here.
- 4.9. 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**

- 4.10. The Development Corporation work is subject to an Oversight Board supported by an Executive Group. The Oversight Board is made up of leaders from the region's County and City Unitary local authorities and directly affected districts (including Rushcliffe) 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.

- 4.11. 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 A) to set out the shared aspirations of the local authorities for the development corporation proposition.
- 4.12. 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 LEPs and local authorities; and with other stakeholders.
- 4.13. 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 region's 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.
- 4.14. 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.
- 4.15. The need for legislation 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 further funding and resources being sought from partners both in terms of expertise as well as possibly some financial support. It is therefore proposed to create a Development Corporation Reserve of £100k from 2019/20 projected underspends in order to support the project. This will be ratified at Full Council when the 2020/21 budget is approved.

### **MIPIM 2020**

- 4.16. 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 2020.

## **5. Alternative options considered and reasons for rejection**

- 5.1. As part of the business case process two different scenarios (the reference case and the proposition) 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.
- 5.2. The alternative for Rushcliffe Borough Council is to not support this proposal. However, the Development Corporation 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 it can play a key role in shaping the Development Corporation to ensure the delivery of maximum benefit for Rushcliffe and the region.

## **6. Risks and uncertainties**

- 6.1. There is a risk that the Development Corporation will progress anyway without Rushcliffe's involvement meaning we do not have a seat at the table to shape the vision for the Development Corporation its impact on Rushcliffe and the region.
- 6.2. In addition, there are risks that the Development Corporation does not get approval or the required level of funding and so it does not progress. This would mean that the Council needed to continue to work proactively and closely with Uniper on the future development of their site.
- 6.3. There are still a number of uncertainties around the exact implications on things such as planning powers and business rates. The statement of intent (Appendix A) 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.
- 6.4. 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.
- 6.5. 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.

- 6.6. The impact on Business Rates is difficult to assess and is complicated by the changes expected to the Business Rates System, currently unknown, with the system due to change late in 2020.

## **7. Implications**

### **7.1 Financial implications**

The main financial implication of this proposal is the potential loss of any business rates to the Council, which are already at risk due to the decommissioning of the Ratcliffe on Soar site in 2025.

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 Development Corporation consultant team are Enterprise Zones (EZ), Combined Authorities, and Special Economic Areas

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, often referred to as 'no detriment'). Further analysis of business rate uplift and associated models will be explored.

In addition, there are potential financial implications in the establishment of the programme team for the Development Corporation, 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 forthcoming and be brought to councillors as required. It is therefore proposed to create a Development Corporation Reserve of £100k utilised from 2019/20 projected revenue efficiencies in order to support the project. This will be ratified at Full Council when the 2020/21 budget is approved.

### **7.2 Legal implications**

The proposed interim structure will include a shareholders' board which would be made up of local authority representatives. The expectations of this role and documents that underpin it on the individual and the authority will be reviewed before any commitment is made.

Once the necessary legislation is in place for the Development Corporation this could impact on the statutory responsibilities of the Council in the identified area. By being involved in this process councillors and officers from Rushcliffe are able to review the proposals as they emerge and their impact, and update councillors as required.

### 7.3 Equalities implications

Inclusive growth is a key theme in the business case ensuring that, as far as possible, the Development Corporation brings benefits for all. As well as creating jobs the focus is on the quality as well as the accessibility of those jobs.

### 7.4 Section 17 of the Crime and Disorder Act 1998 implications

There are no crime and disorder implications associated with this report.

## 8. Link to Corporate Priorities

Quality of Life	The DC has the potential to benefit local residents' quality of life through the provision of new jobs, open space and green infrastructure.
Efficient Services	
Sustainable Growth	<p>The development of Ratcliffe on Soar Power station through the Development Corporation could attract a significant number of new businesses and approx. 20,000 jobs.</p> <p>The Development Corporation could deliver significant improvements to connectivity enabling more people to access opportunities at the 3 sites and in the wider region.</p>
The Environment	<p>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.</p> <p>The proposal for Ratcliffe on Soar is for a National Centre for Integrated Zero Carbon Futures putting Rushcliffe at the forefront of tackling climate change.</p> <p>In addition, an integral part of the proposition is the connectivity between the sites and more broadly across the region. The focus of this is green infrastructure and public transport, minimising the impact on the environment.</p> <p>The proposition includes the creation of a wildway which is an active transport link between the sites enhancing and protecting the existing areas specifically around Attenborough Nature Reserve, River Trent and the canal network.</p>

## 9. Recommendations

It is RECOMMENDED that the Cabinet:

- a) endorses the statement of intent prepared and approved by the Development Corporation Oversight Board,



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- c) notes the potential budget impact of the interim arrangements,
- d) 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; and
- e) refers this report to Council on 5 March for Council endorsement.

<b>For more information contact:</b>	Kath Marriott Chief Executive <a href="mailto:kmarriott@rushcliffe.gov.uk">kmarriott@rushcliffe.gov.uk</a> 0115 9148349
<b>Background papers available for Inspection:</b>	None.
<b>List of appendices:</b>	<b>Appendix A – Statement of Intent</b>