

City of Nottingham and Nottinghamshire Economic Prosperity Committee
6 March 2020

Subject:	Midlands Engine Development Corporation		
Presenting authority / representative):	Nottinghamshire County Council		
Report author and contact details:	Anthony May, Anthony.may@nottscc.gov.uk		
Key Decision <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Subject to call-in <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Value of decision: £0	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital		
Authorities affected: All	Date of consultation with relevant authorities: N/A		
Summary of issues (including benefits to citizens/constituent authorities):			
Some of the benefits that the emerging proposition to establish a locally led development corporation in the East Midlands (as detailed in this report) could deliver are set out in paragraphs 2.6, 6.1 and 6.2 of this report.			
Exempt information: None			
Recommendation(s):			
1. Endorse the progress with work to examine the feasibility of a Midlands Engine development corporation.			
2. Endorse the statement of intent (Appendix A).			

1. **Reasons for recommendations**

- 1.1 To support the Midlands Engine led programme of work to explore the feasibility of a locally led Development Corporation, which has the potential to grow the local economy and bring significant investment.

2. **Background (including outcomes of consultation)**

- 2.1 In February 2019 the Government approved funding to explore the business case for a locally led development delivery vehicle for the East Midlands. The work to develop a business case for a development corporation is being taken forward by a programme team hosted by Nottinghamshire County Council. This report provides key background information and an update on progress of work on the development corporation.
- 2.2 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 have emerged, which are locally led, and can pump prime investment and economic growth.
- 2.3 The catalyst for establishing a focussed delivery vehicle is HS2 and proposals for a new station at Toton. The East Midlands HS2 Growth Strategy, published in September 2017,

established the region's ambitions to maximise the opportunity of unprecedented investment, presented by HS2.

- 2.4 Recognising this opportunity, and the possibility of widening the area of potential development, the Midlands Engine was asked to consider three locations in the East Midlands. Specifically, the programme of work is focused on the Ratcliffe on Soar Power Station, Toton and Chetwynd Barracks (both in Nottinghamshire), and East Midlands Airport (in Leicestershire). Through establishing a locally led development corporation across these three sites, it is envisaged that a single, integrated vision and economic development proposition could be established.
- 2.5 The core costs for the Midlands Engine development corporation programme is funded by the Government, through the Ministry of Housing, Communities and Local Government (MHCLG). The total funding available from Government is £2 million, spread equally across 2 years. Because of the potential benefits for Nottingham and Nottinghamshire, the County Council agreed to supplement the programme budget by providing resource for staffing costs. With a sum of £250,000 being set aside for the financial year 2019/20 from the Council's share of the NNDR pool (National Non-Domestic Rates). Other partners are providing "in kind" staffing and non-staffing resources.

The Proposition

- 2.6 For the purposes of Government assessment, the development corporation team (comprising paid officers and staff from expert consultancies) is 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 green corridor connecting the three areas through the existing blue and green infrastructure
 - £4.8bn GVA growth per annum for the region.
- 2.7 The potential of developing each site as part of an integrated, wide area approach, has been considered by the team and this has generated the estimates set out in paragraph 2.6. The propositions are summarised as follows:
- **Ratcliffe on Soar Power station, privately owned by Uniper UK Ltd**
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' status, working with East Midlands Airport. This follows a Government announcement last year that bids will be invited for freeport status. In total, the emerging proposition highlights the potential to deliver up to 20,000 jobs.
 - **Toton and Chetwynd Barracks**

¹ Includes existing and new employment

Proposals centre on Toton and Chetwynd Barracks and create a garden village with a mix of housing and employment that has 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 connects well with the concept of a 'Green Corridor' integrating the three development locations via the River Erewash and 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 handling capacity beyond existing growth plans. In addition, consideration is being given to the potential for 'freeport²' status, as mentioned above.

- 2.8 Each site is significantly in excess of 200 hectares. Together they have the potential to drive a level of co-ordinated investment, particularly in the enabling infrastructure, not seen in these areas for several generations. The development corporation could act as a catalyst for further growth and connectivity across a wider area, particularly in Nottingham and Nottinghamshire, and potentially, the East Midlands. The wider region could benefit from the infrastructure, skills, knowledge and capacity offered by this type of integrated development. In addition, there are synergies with the plans and aspirations of partners across the region including other local authorities universities and Local Enterprise Partnerships (LEP), which are currently developing their Local Industrial Strategies.
- 2.9 The infrastructure under consideration includes social, environmental and physical infrastructure such as transport, digital and utilities. Specific measures will include improved roads and a concerted focus on integrated 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 is focussed on demonstrating how an integrated delivery vehicle could attract much needed investment for supporting infrastructure and how it would optimise and accelerate the potential of the area.
- 2.10 The programme of work has a strong focus on inclusive growth. Specifically, the initiative will consider skills and training, and 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.
- 2.11 Finally, the proposal has an ambition to protect and enhance the natural environment, linking the area's distinctive green and blue infrastructure through a green corridor connecting the three development locations alongside the River Trent; River Erewash; River Soar, the canal network; and Attenborough Nature Reserve.

Programme Governance

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.

- 2.12 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 East Midlands upper tier local authorities and directly affected district and borough councils, alongside private sector; business community; central government; LEPs; and universities. The Executive Group is a smaller group of executive officers. Both are chaired by Sir John Peace, the Chairman of the Midlands Engine. Anthony May, the Chief Executive of Nottinghamshire County Council and Chair of the Midlands Engine Operating Board is the Senior Responsible Officer for the programme and Ken Harrison is the Programme Director. The D2N2 LEP provides a financial assurance role, through its Accountable Body, Derbyshire County Council. The terms and objectives for the programme are enshrined in a Memorandum of Understanding (MOU) with the Ministry for Communities, Homes and Local Government (MHCLG). This MOU provides the basis of the Government's £2 million funding package for the programme's core costs.
- 2.13 The provisional timetable for the programme estimates that a draft outline business case will be complete in the Spring of 2020. The aim of the business case is to set out an options appraisal, which considers the relative merits of integrating the sites into a single, locally led development corporation. Importantly, the business case must demonstrate how a development vehicle of this type meets the criteria for public-sector intervention. In addition, it must set out a clear case for change, with a value for money assessment, an examination of commercial and financial viability, and a route to delivery. It is anticipated that the outline business case will be presented to the Oversight Board on 5 March 2020. In the meantime, discussions are ongoing across the partnership and with officials from MHCLG, to ensure an inclusive approach. Additionally, the Secretary of State for Housing, Communities and Local Government, Robert Jenrick (Member of Parliament for Newark) has been updated regularly.
- 2.14 An important part of the programme is liaison with local authority Chief Executives. Representative Chief Executives from upper tier and district and borough councils are members of the Executive Board, and Anthony May chairs a weekly telephone conference for all Chief Executives. This weekly call includes the Chief Executive of the D2N2 LEP and the Chief Executive of the East Midlands Councils.
- 2.15 This group of Chief Executives was tasked with drawing up a "statement of intent" for the programme, to ensure consistency in respect of some key underpinning issues. This statement of intent is attached as Appendix A and sets out the shared aspirations of the local authorities for the development corporation proposition.
- 2.16 The development corporation programme team is actively engaging local stakeholders to inform the business case. This includes through the Oversight Board and Executive Group; the weekly conference calls referred to in paragraph 2.14; as well as active stakeholder participation in the programme team; regular briefings with LEPs, local authorities; and other stakeholders. Importantly, given the sites under consideration, representatives of Uniper and the East Midlands Airport are engaged.
- 2.17 Initial work on the business case has highlighted the lack of an "off-the-shelf" statutory model, which could deliver fully the region's aspirations for a locally led approach across this wider area. Specifically, the current Locally Led New Towns Development Corporation model is for housing-led new settlement developments. In this context, locally led includes oversight by Elected Members from the affected Councils. The Urban

Development Corporation model is more suited to the mixed type of development envisaged in this programme but is not locally led.

- 2.18 Coincidentally, in late 2019, the Government undertook a consultation on the effectiveness of the current models of development corporations. The Government consultation, at least in part, seeks views and ideas on whether the current and complex legal framework inhibits the establishment of development corporation, which are locally led and cover a mixed type of development. The Midlands Engine submitted a response to this consultation. Using learning from the Midlands Engine development corporation programme, this response recommended the introduction of a new type of development corporation, which allows mixed development across a wide area, and is locally led. The outcome of the consultation is awaited, and further updates will be provided.
- 2.19 The decision whether to establish a development corporation of any kind rests with the Secretary of State and is subject to a clear criterion, and a parliamentary process. Equally, if a new type of development corporation was to be implemented, it is likely that this would require a parliamentary process. This being the case, there has been consideration of how to maintain momentum in the interim, assuming Government and local partners want to proceed. This momentum could be achieved by the introduction of a non-statutory interim vehicle, established with the agreement of affected partners. The details of this vehicle will be considered by the programme governance and be worked up for the draft business case. The involvement of all the directly affected local authorities, as part of the oversight function, would be a cornerstone of any such interim approach.

3. Other options considered in making recommendations

- 3.1 As part of the business case process, two different scenarios, the reference case (a scenario for growth without a development corporation) and the proposition (growth enabled by a development corporation) 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. The process for testing development corporation proposals is set out by Government and is subject to evaluation criteria. This evaluation criteria includes a comprehensive options appraisal.

4. Financial implications (including value for money/vat)

- 4.1 The core programme costs for this programme are met by the Government, as set out in paragraph 2.5. Nottinghamshire County Council provides supplementary staffing resources, funded for 2019/20 from the Council's share of the NNDR pool.
- 4.2 Longer term, there may be additional financial implications, if a locally led development corporation is established. It is not possible to quantify these now so any further financial implications will be reported in due course.

5. Legal and procurement colleague comments (including risk management issues, and legal, crime and disorder act and procurement implications)

- 5.1 None

6. Social value considerations

- 6.1 A key focus of the development corporation programme is inclusive and sustainable growth – high quality jobs, housing and transport, accessible and tailored to meet the needs and aspirations of current and future generations. The Statement of Intent (Appendix A) sets this out.
- 6.2 Beyond the economic benefits, the programme is designed to protect and enhance the environment. In defining the proposition, there is a strong focus on reducing emissions, and achieving net gains in natural capital.

7. Equality impact assessment (EIA)

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council)
- (b) No
- (c) Yes – Equality Impact Assessment attached

An EIA is not required because the report does not contain any changes to policy.

8. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

8.1 None

9. Published documents referred to in this report

9.1 None

APPENDIX A

Statement of intent

1. The developments will generate next generation **inclusive and sustainable growth** – high quality jobs, housing and transport, accessible and tailored to meet the needs and aspirations of current and future generations.
2. The focus for the developments is on **next generation innovation, enterprise**, the future of industry, not lower value or productive forms of employment.
3. Local people as well as those who come here to live and learn will be equipped with the **skills to benefit from the job opportunities** resulting from the creation of the development corporation.
4. Beyond the economic benefits, the developments will enhance and improve the environment, reduce emissions and **achieve net gains in natural capital**.
5. Partners in the region recognise and support the development corporation as a **regional endeavour with a common purpose** and a commitment to maximise this opportunity for the East Midlands; **the whole being greater than the sum of the parts**.
6. The developments will enhance the region and add value to the region's economy, adding to existing strengths in the cities and counties across the East Midlands.
7. The development corporation will be funded by a range of sources and use a range of financial instruments. It is **not intended that existing business rates are redirected** from local authorities to the development corporation. (Further analysis of business rate uplift and associated models will be explored)
8. There will be appropriate mechanisms for **local democratically elected representation to oversee** the work of the development corporation board and its **independent chair**. The board will be selected through a skills based recruitment process.
9. Lessons learned from the work on the initial 3 sites will be used to help drive further opportunities in other parts of the region, **including additional sites and development corporations** for the (East) Midlands.