

Report of Portfolio Holder for Economic Development and Asset Management

EMDEVCO: FIRST YEAR REPORT AND FUNDING REQUEST1. Purpose of Report

To update Cabinet on the activity of East Midlands Development Company (EM DevCo) throughout 2021/22 and the company's outline Business Plan 2022/23 and confirm the authority's grant funding contribution to the EM DevCo for 2022/23.

2. Recommendation

The Cabinet is asked to:

- 1. REVIEW the year 1 update and confirm if any further information is required.**
- 2. To APPROVE the year 2 contribution of £167,000.**
- 3. To COMMENT on the year 2 plans.**

3. Detail

In 2020, Leicestershire County Council, Nottinghamshire County Council, Broxtowe Borough Council, North-West Leicestershire District Council, and Rushcliffe Borough Council agreed to establish an Interim Vehicle, EM DevCo Ltd, to focus on plans for the co-ordinated delivery of development and infrastructure at Toton and Chetwynd; Ratcliffe Power Station and East Midlands Airport Area. The Interim Vehicle has been established to drive forward the proposition whilst the parliamentary processes required to establish the proposed new model of Locally Led Urban Development Corporation (LLUDC) take place.

A full update on the Oversight Authority for 2022/23 is included in the appendix.

4. Financial Implications

Broxtowe Borough Council approved a contribution of £0.5m over three years in 2021, with £167,000 allocations for 2022/23 and 2023/24 subject to annual reviews by the relevant Committee at the end of year 1 and 2 against progress and relevant milestones in the Company's Business Plan.

The comments from the Head of Finance Services were as follows:

Provision for the £167,000 contribution to EMDevco was approved as part of this year's budget process.

5. Legal Implications

The Grant Agreement covering the Council's financial contributions to EMDevco was completed on 10 September 2021 setting out the terms for payment. At the time the agreement was completed subsidy control (formerly state aid) advice had been sought which confirmed the proposed basis for the financial contributions complied with the subsidy control scheme.

6. Background Papers

Nil

APPENDIX

EM DevCo Ltd – Oversight Authority Update Report 2022/23

The Council is represented by the Leader of the Council of the Council in an Oversight Authority and the Chief Executive represents the Council as a Director on the skills-based Board. The Oversight Authority first met in April 2021 to agree the annual business plan and budget and the company was formally incorporated in May 2021. EM DevCo Ltd was formally established as a company limited by guarantee in April 2021. This follows the submission of a Business Case in March 2021 for a LLUDC to be enshrined in statute and established in the East Midlands.

It was agreed that Nottinghamshire County Council would host the company on behalf of the member authorities to provide support services. Independent legal and financial support have been procured to avoid conflicts of interest.

Progress on Corporate Deliverables

Since the incorporation of EM DevCo, a small team has been established including a Managing Director, Richard Carr. The following progress has been made during 2021/22:

Governance

EM DevCo Ltd has been set up to mirror the structure of the Locally-Led Urban Development Corporation (LLUDC) model with an Oversight Authority (comprising elected members from the five local authorities), Board of Directors (comprising senior officer representatives from each of the five local authorities, five independent non-executive directors, and an independent chair) and an Executive Team. This structure was also developed with consideration of Public Interest Reports into local authority-owned companies in order to avoid facing the same issues seen in other recent high-profile cases.

The first formal meeting of the Oversight Authority took place in April 2021 where the business plan and budget for 2021/22 were agreed. This budget is predicated on an annual combined contribution of £1.5million from the five founding authorities, with the county councils each contributing £0.5million and the three district and borough councils collectively contributing £0.5million.

The EM DevCo Business Plan identified a range of deliverables for 2021/22. As with the formation of any complex business entity, the activity of the company during the large part of Year 1 has been on positioning and establishing the company through a range of corporate deliverables as per the business plan. These include all the legal requirements of setting up the company, several key appointments, and further planning. A Board of Directors comprising an Independent Chair - Sir Chris Haworth - and five local authority representatives will be joined by a further five independent private sector non-executive directors. A small Executive team is led by a newly appointed Managing Director with the support of a Programme Director and a support team.

As mentioned above, Sir Chris Haworth Bt was appointed as Independent Chair of the EM DevCo Board in January 2022 following a competitive process that identified a number of strong candidates with interest in the EM DevCo project. Sir Chris has direct experience of the sector gained from a 40-year career in commercial property consultancy and is ideally placed to accelerate the company's activity ahead of formal funding and powers being granted by Government.

In February 2022, the EM DevCo Board formally agreed to progress the recruitment of the five remaining non-executive directors. This process is ongoing and is expected to conclude in April 2022. A number of key themes were identified to ensure the appropriate skills and sectors to guide the selection of directors and to maximise the skill base of EM DevCo. These included development expertise; infrastructure; design and creative (place making); environmental; industrial; and finance/banking.

Engagement with Government

A key corporate objective during the year has been to maintain positive discussions with senior government officials and Ministers during the pandemic with a view to maintain the government's continued support including match funding for the local authority members. Positive discussions have been maintained between EM DevCo and Government, which culminated in the receipt of £1.5m match funding for 2021/22 being received on 18 March 2022 and subject to specific consideration as part of this report alongside the £120,000 Design Coding Pathfinder funding secured separately and highlighted further below.

The grant award provides greater certainty of funding to progress key elements of the programme and in particular the commissioning of a commercial partner (see below). It also provides confirmation of the government's continued support. This sends a clear message to stakeholders and to the market and builds on the direct references set out in the Integrated Rail Plan (IRP) for the North and Midlands which refers to accelerating the delivery vehicle. The match funding of £1.5m for 2021/22 is without prejudice to future years' requests for match funding including during the current financial year 2022/23.

EM DevCo continues to engage with Government to pursue the interests of partners through legislation including working towards legislative change as necessary whether this be associated with the progression of a Levelling Up Bill or as part of planning reform.

EM DevCo are actively engaged with Department for Transport (DfT) officials in relation to preparations for advancing plans and engagement with HS2 and the IRP teams and any associated HS2 Growth Strategy Review. This includes negotiations to secure additional resources for that review. The EM DevCo team have played a pivotal role in developing and positioning a costed proposal for the HS2 Growth Strategy review ahead of its consideration at Transport for the East Midlands (TfEM) and the HS2 Executive Board and submission to Government. It is anticipated that EM DevCo will play a key role in its implementation for the benefit of the three sites and the wider region, building also on close working relationships with other HS2 station locations and through the inclusive nature of the Connectivity Working Group.

Finally, as mentioned above, in September 2021 EM DevCo applied for Design Pilot status on behalf of the five authorities. The bid for EM DevCo was one of 25 areas

announced for Design Pathfinder status on 11 March 2022 and a 12-month programme will be progressed with the benefit of £120,000 funding from DHLUC.

Commercial Partner Appointment

A priority for EM DevCo in Q4 2021/22 was the appointment of a 'commercial partner' - a major developer with a track record of delivering transformational places – with a view to commissioning them in an advisory capacity to develop the vision and ambition for the EM DevCo sites in a way that provides credibility and confidence for investors including government and providing greater certainty of deliverability.

Proceeding with the commission was dependent on funding and in particular the £1.5m additional Government match funding. This commission was let following confirmation of funding, resulting in the appointment of a team led by Areli Developments and including MurrayTwohig; Benoy; Montagu Evans; Buro Happold; Urban Delivery; CBRE; Pragma Consulting; Trowers & Hamblins LLP and Gardiner & Theobald.

The commercial approach being adopted will look at how EM DevCo can assist the local authority members in realising optimum social, environmental, and economic value from the delivery of integrated development and infrastructure. Concurrently, it will explore the best and most appropriate means of capturing that value for local benefit whilst ensuring the schemes are optimally attractive to private sector investors. This goes to the heart of the EM DevCo project which exists to deliver a scale of opportunity that the market could not deliver on its own. The work of the commercial partner will form a major part of the programme for 2022/23 (see below).

The core EM DevCo team will be working closely with the Commercial Partner to ensure that the Design Code Pathfinder work is integrated and complements their thinking. Both the work of the commercial partner and the design coding activity will have relevance to the site-specific deliverables during 2022/23.

Progress on Site-Specific Deliverables

The overall ambition of EM DevCo is to supercharge growth for the regional economy. This will be achieved initially on the three sites in focus i.e., Toton & Chetwynd Barracks, Ratcliffe-on-Soar Power Station, and the East Midlands Airport Area – that build on the potential of HS2, the region's status as a major trade and logistics gateway, and its historic strengths in research and development and industrial innovation.

Now that the IRP has been published, the team are preparing to take forward the next stages of the residual Department for Transport (DfT) grant for Toton and Chetwynd. Specifically, this involves the appointment of transport planners and modellers to bring forward specific transport proposals alongside business case economists. EM DevCo administers the residual DfT funding for Toton and Chetwynd. This has continued to progress, with EM DevCo overseeing commissions with Arup and Mott MacDonald to prepare a Masterplan and draft Supplementary Planning Document (SPD) alongside Broxtowe Borough Council planning officers.

The draft SPD was approved for public consultation at a meeting of the Broxtowe Borough Council's Jobs and Economy Committee on 10 June 2021. The consultation formally started on 1 November 2021 and ran through to 14 January 2022. The work

undertaken also includes a study of the Erewash Valley with consultants at The Environment Partnership. Regular update reports have been provided to East Midlands Councils' HS2 Strategic Board, on which the leader of the council is the council's representative.

With the SPD on the verge of adoption to provide a more robust policy framework, attention in 2022/23 will turn to first phase enabling infrastructure to unlock early development stages. Arup have been appointed as the transport planning team to work up detailed access proposals with the benefit of DfT funding support.

The team will continue to work closely with planning officers at Broxtowe Borough Council, Nottinghamshire County Council Highways, other statutory agencies including National Highways, and the Toton and Chilwell Neighbourhood Forum.

In relation to Ratcliffe Power Station, EM DevCo's Executive Team have held extensive discussions with the senior management of Uniper in light of a number of opportunities at Ratcliffe including the development of the East Midlands Freeport and the establishment of East Midlands Parkway as an interchange station for HS2.

Work continues with Rushcliffe Borough Council on the preparation of a Local Development Order (LDO) to advance planning policy for the site. The initial stages have involved engagement with the Rushcliffe Member Working Group and Parish Councils. A period of formal consultation ran from Monday 29 November 2021 until Monday 10 January 2022.

Concurrently, through the work of the EM DevCo Project Zero Working Group (described further below), collaboration across the Universities is generating new ideas for energy generation, storage and use that can be applied across the sites.

During 2022/23, a significant amount of work will be undertaken to take forward plans linked to the IRP and for HS2 stopping services at East Midlands Parkway. It is anticipated that further consultant support through EM DevCo will provide additional capacity for this to support Rushcliffe Borough Council and Nottinghamshire County Council where this could add value – for example, in programme management, urban design and coding expertise, and transport planning.

EM DevCo has been working closely with Homes England to explore areas of common interest across all three of the EM DevCo areas. This includes East Midlands Airport Area.

Progress on associated themes - Connectivity

The headline outcome of the IRP for the region is that HS2 trains will now serve East Midlands Parkway, Nottingham, Derby, and Chesterfield; with connecting services to a new Network Rail station at Toton. There are several key aspects to the IRP including electrification of the Midlands Mainline in full and commitment to a new HS2 Line from the Birmingham to East Midlands Parkway in Rushcliffe, where increased interchange with regional services could be anticipated and improved local connections delivered including to the East Midlands Airport Area.

The IRP also includes a commitment to consider the acceleration of transport improvements at Toton, such as a Network Rail station for local and regional services. Finally, it refers to accelerating plans for an East Midlands Delivery Vehicle to regenerate the three large opportunity areas nearby, including Toton and Chetwynd

Barracks, which are currently being advanced through EM DevCo Ltd. In addition to transport, it is anticipated that the remit of the EM DevCo 'Connectivity Working Group' linked to this theme will be broadened to consider digital & utilities connectivity - especially energy which, along with access to skills, are understood to be specific concerns of our current and future business communities.

Progress on associated themes – Freeport

EM DevCo and EM Freeport are complementary programmes supported by Government to boost economic growth in the region. These programmes involve a number of mutual stakeholders including local authorities, landowners, and government agencies.

It was agreed that both organisations be represented on each other's Board in an observing capacity. Richard Carr, Managing Director of EM DevCo, has sat as a non-voting member on the EM Freeport Board throughout the development of the Freeport's Business Case. Likewise, Penny Coates has joined the EM DevCo Board as an affiliate (non-voting) member.

Work is ongoing to develop the principles through which Retained Business Rates are used by both EM DevCo and EM Freeport to ensure that opportunities for the region are maximised.

Progress on associated themes – Project Zero and Natural Capital Net Gains

EM DevCo facilitates a number of critical working groups that bring together a range of key stakeholders who are collaborating on key themes with a view to tackling some of the more significant issues facing society and the environment. These include Connectivity (noted above), Project Zero (which brings together our university partners with industry links), and Natural Capital Net Gains (which involves our Local Authority experts, the Environment Agency, British Geological Survey, and the NGO sector).

This approach is proving catalytic, with a clear emerging vision for 'Project ZERO,' with specific proposals emerging that will be relevant for all the sites in the EM DevCo area with a view to creating an innovation ecosystem around scalable demonstrators in models for living and working, making, and moving.

Specific proposals including a future factory translation centre linked to electrification and aero propulsion and a hydrogen skills academy linked to the Institute of Technology, which is creating a specific innovation and skills content to the Freeport FBC. This has benefitted from strong leadership from Loughborough University and the University of Derby in collaboration with universities affiliate to Project Zero.

Other ideas will include scaling up technologies currently being applied at the Trent Basins development in Nottingham which include community energy and data twinning and the potential application of modern methods of construction at scale. In the natural capital arena, the team are developing an approach to net gains. This will benefit from work being developed in the catchment of the River Trent and its tributaries including the River Erewash and River Soar. The work of the groups, alongside that of the commercial partner, will help shape the design code pathfinder work.

Broader Collaboration

As the interim vehicle builds its capacity and credibility, so too will we start to build our partnerships and collaborations with key delivery partners. This is demonstrated ably through our work with Homes England, who have sponsored essential work to bring definition to the East Midlands Airport Area and the opportunities presented there. The Chairman of Homes England has engaged in discussions with EM DevCo for exploratory talks on next steps.

Similarly, the team are liaising with local authorities across the region following the publication of the IRP in November to assist in the co-ordination of a new IRP Growth Strategy. The integration of development and physical, social, and environmental infrastructure to delivery inclusive growth through the IRP Growth Strategy will involve working closely with regional stakeholders including Midlands Connect and TfEM through to DfT and its national bodies including HS2, Network Rail, and National Highways. This will build on our origins as EM DevCo is a delivery vehicle that emerged to facilitate the original HS2 Growth Strategy ambitions for the heart of the region.

Together with EM DevCo's four Working Groups (Communications and Engagement, Connectivity, Natural Capital net Gains, and Project ZERO), EM DevCo has been able to progress these workstreams and draw together colleagues from across sectors and traditional boundaries to maximise benefits for the region and – importantly – ensure that partners remain involved throughout. All associated projects and initiatives will involve extensive engagement with our locally authorities and communities.

Business Plan 2022/23

Establishing EM DevCo Board including appointment of NED's

The appointment of experienced and specialist Non-Executive Directors is nearing completion at the time of writing with an independent Chair, Sir Chris Haworth, appointed in January 2022. Sir Chris will be joined by a further five independent Non-Executive Directors who will work alongside the five Local Authority Directors on the skills-based Board.

Engagement with Government – advancing toward a LLUDC

EM DevCo will continue to develop the legal tests for statutory designation, working with Government to support the legal process of establishing a LLUDC arising from the Levelling Up White Paper as well as proposed legislation on development corporation reform. This remains core to the EM DevCo proposition, and the company will work with Government and partner authorities to ensure that EM DevCo meets the requirements set out by Government to achieve statutory status.

The Executive Team of EM DevCo has an active dialogue with Government on the legislative pathway to establish an LLUDC and is in regular contact with officials from the Cities and Local Growth Unit of the Department of Levelling Up, Housing, and Communities (DLUHC). It is anticipated that further guidance from Government will be forthcoming in early 2022/23, including a provisional timetable for legislation. Progressing this will require specialist legal advice to ensure that EM DevCo prepares for the appropriate tests.

EM DevCo will continue to work with Government and its agencies in support of the region's work on the HS2 Growth Strategy review as follows.

IRP and HS2 Growth Strategy

EM DevCo will help support, integrate and co-ordinate work associated with the Government's Integrated Rail Plan (IRP) including revised Growth Strategy evidence base by aligning various related development and infrastructure studies. This is subject to a separate costed proposal for £1m per annum for 2022/23 and 23/24 (£2m total). EM DevCo will also continue to manage any residual Department for Transport (DfT) grant specifically earmarked for Toton and Chetwynd including funding to explore the relocation of existing rail operations in the area – subject to DfT approval.

Commercial Partner

This £1.5m commission will be a key priority for EM DevCo during 2022/23 and will help establish a commercial approach to delivery assisted by a developer with a track record of transformation acting in a consultancy capacity. The work will be undertaken in two tranches as follows:

Tranche 1 (April to June 2022) – will involve the developer and team undertaking research and engaging key stakeholders with a view to establishing core commercial principles with initial observations and recommended actions.

Tranche 2 (July 22 to March 23) – will further develop the core principles and deliver a clear approach to delivery and funding. This will be aligned with outline development and infrastructure briefs for the sites.

This work programme is likely to lead to early collaboration discussions with key stakeholders and promoters to establish commercial positions with a view to realising benefits and capturing commercial, social, and environmental value across each of the three key growth areas.

In short, EM DevCo will explore mechanisms of how best it might take an interest in sites and capture the uplift in land values where appropriate to deliver the maximum value to communities and our partners. This will result in a Vision and Framework which defines specific investment, funding opportunities, delivery routes to market, and enabling infrastructure that are deliverable and commercially viable.

Design Code Pathfinder

With the benefit of £120,000 of funding from DLUHC a multi-disciplinary team will be appointed to lead the development of a design code across the three EM DevCo sites as part of this national pathfinder initiative and one of 25 areas in the UK.

Support for local planning initiatives

EM DevCo will continue to provide a resource to support Local Plan review processes in addition to site-specific policy considerations such as SPD and LDO document preparation as appropriate.

Building Capacity

With the advent of £1.5m Government match funding and grants, the scale of the EM DevCo project has increased significantly since Y1. In order to properly manage the workstreams detailed in this paper, it is expected that additional programme

management support will be required, in addition to further appointments to the company's core team of officers and procured team of consultants. This match funding further allows EM DevCo to appoint additional commercial, professional, and technical expertise to meet the accelerated demands in progressing planning allocations, planning permissions, funding, statutory status and powers, development delivery mechanisms and development partners. These additional appointments will ensure that EM DevCo is able to deliver the enhanced programme of work required to meet the region's ambition.

Business Case Refresh

All of the above actions will provide critical inputs to the ongoing refresh of the business case for the new LLUDC model for the East Midlands.

In order to maximise the potential for EM DevCo to secure long-term Government support, the company's development and infrastructure proposition will continue to be finessed through work such as that to be undertaken by the Commercial Partner. This will set out a plan to take the work forward to the next level in collaboration with Government and a range of public and private sector investors in a way that can align the various associated initiatives across the three sites.

This will ensure that the EM DevCo business case is as coherent and ambitious as possible and maximise the funding and opportunity available across the EM DevCo sites and beyond.

Financial Update

Grant Funding

EM DevCo has received £1.62m of Section 31 grant from Government, which is managed by Nottinghamshire CC as host authority in order to comply with financial regulations. The grant determination letter states that, "This funding will further support the EM DevCo to continue to build upon its existing work to realise the significant regeneration opportunities across the three identified sites within the East Midlands; and contributing to this government's ambitions for 'Levelling Up' across all of the UK's regions."

EM DevCo has benefited from £1.5m of local authority funding and this has been matched with £1.5m support from the UK Government during 2021/22 in addition to targeted grant funding for HS2 and the Design Code Pathfinder programme.

EM DevCo has acted prudently during year one and the setup stage. The residual £787,000 from the original local authority grant will help to support the team and key activities which are set out in this paper. This will be subject to consideration of the Oversight Authority of elected members in Q1 2022/23. As with the financial year 2021/22, the company will continue to seek match funding from DLUHC for 2022/23 as well as further targeted funding streams.