

Meeting Date: 27th January 2020

Agenda Item: 5

Item Subject: The Telford Land Deal

For: Discussion/Information

Purpose:

To update Board members on the continued success of the Telford Land Deal and its contribution to the economic growth of the Borough and the Marches.

Recommendations:

1) To note the progress and achievements of the Telford Land Deal

Background:

Telford & Wrekin Council (TWC) and Homes & Communities Agency (now Homes England and subsequently referred to as HE) signed the Telford Land Deal (TLD) in March 2016. A still unique 10 year Deal this is set to see £44.5m of land receipts from the sale of agreed HE land assets in Telford recycled back into the local area, supporting the delivery of new homes, jobs and commercial floorspace.

Due to the legacy of the New Town TWC has a limited asset base to leverage and prior to the Land Deal all land receipts from the sale of HE's significant development assets went back to the Treasury with decisions around marketing and disposal driven nationally. Prior to the Deal HE local land sales had also been relatively static.

Four years in, by the end of the 2018/19 the Borough has seen the development of **21 new commercial sites and 10 sites for residential development delivering 617 new homes and 1114 new jobs.**

The Deal has delivered a **gross sales income of £27.3m** and attracted **private sector investment of over £200m.**

Total profit share of £4.2m has been realised up to March 2019. Under the terms of the Deal 85% of this comes to the local area. With the first £2m required to be used to support the delivery of a number of sites where investment is known to be required in excess of land value, £1.5m has been made available for local investment with **£0.240m of this passed to the Marches** LEP for investment via the Marches Investment Fund. This is in line with the Agreement between TWC and MHCLG and the Funding Agreement between TWC and the Marches LEP.

In 2019/20 a further 4 commercial and 5 residential sites are on track for disposal delivering a further 375 jobs and 144 new homes.

Operation of the Deal

The Deal is based on a 'risk and reward' model which sees:

- TWC able to recycle up to £44.5m in land value uplift over and above the agreed 2015 baseline land values for all HE owned sites in Telford, to be used for site preparation and de-risking, aiming to accelerate delivery to market and raise land values
- Local retention of 85% of any values achieved over and above this as profit share to be reinvested into driving local growth with 15% of any local profit given to the Marches LEP

This provides Telford with a real share in the asset value in the Town and to use profit share to support strategic infrastructure projects to drive further growth.

In terms of risk – TWC agreed

- To allow HE to transfer ownership of remaining undevelopable land to TWC in perpetuity – c.750 acres
- TWC underwrite land values and forward fund site preparation and infrastructure investment ahead of land sales on the basis of a 3 year rolling Business Plan – the risk therefore if land sales are not achieved or investment exceeds return – sits with TWC
- TWC have provided outputs (housing numbers/jobs created) from the development of their own land holdings (but don't take any £ towards site preparation for these sites) towards the Deal targets

The Role of the Marches LEP

The Marches LEP were key to the signing of the Deal which formed part of an overarching Marches Growth Deal. A major stimulus to the TLD was the investment by the LEP of £19m LGF into Telford. This provided match for the Deal with LGF investment going into highway infrastructure critical to opening up the Hortonwood West and T54 Employment Sites. The latter is now home to Magna Cosma and Polytec and the former to Craemer.

Success Factors

Fundamental to the success of the Deal and investment into Telford is the commitment to prepare sites for the market, de-risking by putting in place planning, estate infrastructure, utility provision (and investor specific upgrades) – and offering maximum flexibility in turn key solutions – combined with investment from LGF.

Under the Deal TWC take responsibility for the marketing, site preparation, masterplanning and disposal of all HE land assets. This brings local capacity, local market intelligence and the ability through Enterprise Telford to provide a single point of contact for investors coordinating and managing the involvement of regulatory services and providing tailored support with design and build, recruitment and skills requirements, finance and supply chain connections.

In 2016 the Council established a £50m Growth Fund using prudential borrowing to acquire land and property to support inward investment and provide a revenue return to supplant lost Government grant. This Fund has been used to acquire land from the Deal (at market value) and build bespoke for investor requirements providing lease as well as sale solutions. This Fund supported the delivery of the first two large scale investments at Hortonwood West and most recently the delivery of 15 units for small businesses and grow on space on the same Estate.

Next Steps

- Through the review of the Telford & Wrekin Local Plan announced earlier this month the Council will be working with HE to accelerate delivery of further Land Deal sites
- The Council is also proposing a further £60m investment into driving both housing and employment growth as part of its budget proposals

Financial Implications:

The Marches LEP has received £0.240m in local profit share over the term of the Deal to date

Legal Implications:

The Land Deal operates under a number of formal Agreements between TWC and HE. A Funding Agreement is in place between TWC and Marches LEP setting out the terms of transfer and use of the local profit share to the LEP.

Risks, Opportunities and Impacts:

- While the site is not in HE ownership the Deal includes a commitment of £1m investment into the delivery of Ni Park. This site which is in receipt of LGF3 funding and investment by TWC, started on site on 2nd December and will deliver 24 starter/incubation units and further serviced land plots for Agri Tech investors. Being delivered in partnership with Harper Adams and marketed by DiT this investment is putting the Marches on the map internationally as a centre of Agri Tech expertise
- The Land Deal has won a number of national awards as a model of public/private sector collaboration

Consultation:

N/A

Appendices:

Telford Land Deal Annual Report to MHCLG