

Report to Accountability Board	Forward Plan reference number: FP/AB/94
Date of Accountability Board Meeting:	26th May 2017
Date of report:	15th May 2017
Title of report:	Harlow Enterprise Zone
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1. Purpose of report

- 1.1 The purpose of this report is to make the Accountability Board (the Board) aware of the progress which has been made in developing the Business Case for Phase 1 of investment at Harlow Enterprise Zone (the Project) and to endorse the completion of specific investment activities at the Enterprise Zone, as detailed in section 6 of this report, in advance of the Project having completed the Independent Technical Evaluator (ITE) process.
- 1.2 Once a robust Business Case has been produced, which has successfully completed the ITE process, recommendations will be made to the Board on the Phase 1 Project's value for money, for the Board to consider the approval of the Phase 1 Project.

2. Recommendations

- 2.1 The Board is asked to:
 - 2.1.1 **Endorse** the completion of specific investment activities at Harlow Enterprise Zone, as set out in section 6 below, in advance of the Business Case being developed for the Phase 1 Project.

3. Background

- 3.1 When Harlow Enterprise Zone was granted Enterprise Zone status in 2011 by the Department for Communities and Local Government (DCLG), the following arrangements were included specifically for Harlow Enterprise Zone;
 - i) The value of the uplift in Business Rates accruing from activity in the Enterprise Zone was to be passed to SELEP for a 25 year period; and
 - ii) Harlow Council would not receive a rebate from central Government for any business rate discounts offered as incentives to businesses locating in the EZ, unlike all other Enterprise Zones in England.
- 3.2 These unique arrangements mean that the Business Rate uplift could be invested anywhere within the SELEP area. However, it was agreed with SELEP (Executive Group meeting, September 2013) that Harlow should be “no worse off” through delivering an Enterprise Zone. This means that Harlow Council should have access to the business rate uplift it would have secured through the normal flexibilities available to local authorities.
- 3.3 At the SELEP Strategic Board meeting on the 24th June 2016, the Strategic Board agreed that the business rate uplift could be retained by Harlow Enterprise Zone, up to the value of £73.15m, to support the delivery of specific infrastructure projects at the site which are required to enable the development of the Enterprise Zone.
- 3.4 The previous decision taken by the Strategic Board will enable Harlow Enterprise Zone to take out a loan to fund packages of investment at the Enterprise Zone site. It is intended that the loan investment will then be repaid through the uplift in Business Rates retained by the Enterprise Zone.
- 3.5 At Harlow Council's Cabinet meeting on the 23rd February the Council agreed to the borrowing of up to £4m to complete the infrastructure works at the London Road North site of the Harlow Enterprise Zone and agreed in principle to undertake borrowing up to £10m to develop and construct an office building at the London Road site of the Harlow Enterprise Zone.
- 3.6 The risk associated with a failure to make the loan repayments using the Business Rate retention uplift sits with Harlow Council.
- 3.7 Whilst there is no upfront investment cost being sought from SELEP, there is an opportunity cost associated with the previous decision taken by the Strategic Board to enable Harlow Enterprise Zone to retain its projected uplift in business rates to make loan repayments.
- 3.8 As part of the decision by the Strategic Board it was, however, agreed that a Business Case should be developed for each package of investment and which should be subject to an Independent Technical Evaluation (ITE), to provide assurance that the packages of investment will deliver value for money.

- 3.9 A robust Business Case is required for each investment made by Harlow Enterprise Zone through borrowing against the future business rate uplift, to ensure that the investment presents high value for money for use of public funds.
- 3.10 Whilst the intention is for the Enterprise Zone to utilise up to £73.15m of projected uplift in business rate retention, the investments will come forward in phases.
- 3.11 Progress has been made in developing the Business Case for the £15.8m Phase 1 Project. However, further work is required to develop a robust value for money appraisal for the investment and to strengthen other sections of the Business Case.
- 3.12 The outcome of the ITE review to date is set out in Section 5 below. The ITE have completed an initial (Gate 1) review of the Business Case, but given the level of information currently made available in the Business Case the ITE are not in a position to assure the Project's Value for Money at this point in time.
- 3.13 In advance of a robust Business Case being completed for the Project, it is recommended that the Board **endorse** the Project based on the information currently made available in the Business Case and the completion of specific investment activities, as set out in section 6 below.
- 3.14 Once a robust Business Case has been developed for the Phase 1 Project, an update will be provided to the Board, including the outcome of the value for money assessment.
- 3.15 Should the Project fail to demonstrate value for money, it is not intended that SELEP will withdraw its endorsement of the Project, but the Board will be asked to take into account the value for money case, when considering the enforcement of further investment at the Enterprise Zone.
- 3.16 The consideration of this Project by the Board in advance of a robust Business Case having been developed and ITE assurance of value for money having been provided is unique. An exception is being sought for the Project as there is no upfront funding request from SELEP, such as with Local Growth Fund.
- 3.17 The Board may decide to defer its decision to endorse all aspects of the Phase 1 Project until a robust Business Case has been developed and ITE recommendations have been provided on the Project's value for money. This would, however, impact upon the Project's delivery timescales.

4. Harlow Enterprise Zone Phase 1

- 4.1 The long term development proposal at Harlow Enterprise Zone is for the delivery of new commercial space to create up to 5,000 new jobs and to act as a catalyst for generation in the town.
- 4.2 The Enterprise Zone development is split across three sites; Templefields, the former Nortel Campus and land at London Road North.
- 4.3 Phase 1 of the Project brings forward development at the 25 acres London Road North site.
- 4.4 The aims of the Phase 1 Project are to create a new Science Park in Harlow focussed on the Life Science, ICT and Advanced Manufacturing sectors. A 25 acre greenfield site of disused playing fields, will be transformed into high quality, attractively landscaped business accommodation at the heart of the London Stansted Cambridge Corridor.
- 4.5 The specific objectives are to: -
- Provide a fully serviced 25 acre site by summer 2018 with access roads, utilities, approved masterplan and landscape plan with the potential to provide space for businesses to create 2,400 jobs.
 - Completion of a 30,000 square foot multi-tenanted office building with on-site café and meeting room facilities, by summer 2018.
- 4.6 To enable these objectives to be achieved, infrastructure investment is required to deliver essential site enabling infrastructure, including;
- A spine road north-south through the site;
 - An upgrade to the Harlow Primary electricity substation at Howard Way and the delivery of an 8.2 MVA power supply to the Science Park site with on-site cabling and construction of nine sub-stations;
 - Disconnection of existing supplies to the site and re-provision of separate power supplies to Newhall Cottages;
 - A new gas supply to the site sufficient for the scale of development;
 - A new water supply to the site sufficient for the scale of development;
 - Surface water drainage;
 - Fibre optic cable throughout the site from both BT and Virgin Media to enable superfast broadband, as well as ducting to enable supplies from other carriers.
 - Landscape design for the Science Park; and
 - Detailed design and project management of all of the above.
- 4.7 In addition, the Phase 1 Project will also include the design and construction of a 30,000 square foot speculative office building to act as a pump priming development for the site and to create immediate space on the Science Park for small and medium sized businesses.

- 4.8 The total cost of the Phase 1 Project, for the site enabling works and the construction of 30,000ft² amounts to £15.8m. Of this amount, £1.8m will be funded through a DCLG Enterprise Zones Capital Grant fund, awarded directly to Harlow Enterprise Zone.
- 4.9 It is intended that the remaining £14m will be funded through a loan taken out by Harlow Council, which will be repaid through the projected future year uplift in Business Rates at the Enterprise Zone.

5. Outcome of ITE Initial Review

- 5.1 The SELEP ITE has carried out a Gate 1 review of the Business Case. The review found that there was a strong strategic case for the scheme. However, a more rigorous approach to the cost benefit analysis is required.
- 5.2 Feedback has been provided to the scheme promoter and summary of this feedback is included in Appendix 1.
- 5.3 SELEP ITE, SELEP Secretariat and Essex County Council will work with Harlow Enterprise Zone to support the submission of a robust Business Case for Gate 2 review and for consideration by the Board at a future meeting.

6. Activities to be progressed in advance of Business Case approval

- 6.1 Table 1 below provides details of the activities which will be completed in advance of the Business Case having been approved by the Board.
- 6.2 These activities relate to the Phase 1 investment at Harlow Enterprise Zone, as set out in Section 4 above.

Table 1 List of specific investment activities as part of Phase 1 to be completed in advance of Business Case approval

Timescale	Activity
End of May 2017	Completion of ground investigation surveys
Early June 2017	Completion of outline design for Anglia Ruskin University (ARU) Med Tech Innovation Centre and Plot G buildings*
16 th June	Receipt of infrastructure tenders
22 nd July	Decision on appointment of infrastructure contractor by Harlow Council Cabinet
End July	Achieve Certificate of LDO Compliance for ARU and Plot G buildings
August	Commence on site with infrastructure works
Early September	Completion of detailed design on ARU and Plot G buildings

Timescale	Activity
End September	Finalisation of cost packages for each building
October	Finalisation of construction packages for ARU and Plot G buildings
November	Commence works on site for ARU and Plot G buildings
December	Completion of off-site utility infrastructure (UKPN)

*Part of the commercial space to be delivered at the Enterprise Zone as part of Phase 1.

- 6.3 In addition, endorsement is also sought to progress with the land purchase required to develop the Enterprise Zone. This involved two parcels of land.
- 6.4 The first land acquisition is for the purchase of a 2 acre site required to enable the completion of the first phase of Harlow Enterprise Zone development. The land was retained by the original landowner with an option for the Council to acquire from 2020, but Harlow Council is now in negotiation to bring this forward to this year.
- 6.5 The second land purchase is for a larger 10 acre site. This second site, which is within the area of the approved Masterplan for the Harlow Science Park, is required to support Phase 2 development at the Enterprise Zone. The scope of Phase 2 work has not been defined in the draft Business Case, but it will add the capacity for a further 250,000 square feet of commercial space.
- 6.6 The infrastructure design work and the current infrastructure works tender includes both the Phase 1 development site and the additional 10 acre site, to enable this future expansion.
- 6.7 Land acquisition negotiations are underway with the landowner as it would generate significant savings if the infrastructure works could be completed across both sites as part of the same contract.

7. Compliance with SELEP Assurance Framework

- 7.1 Whilst there is no upfront investment being made by SELEP, the Board is asked to endorse the infrastructure investment to be repaid through future business rates from the Enterprise Zone, which under the conditions of the Enterprise Zone being established are available to SELEP.
- 7.2 As such, a more detailed Business Case will be developed for Phase 1 and future phases of development at the Enterprise Zone to ensure the Project's compliance with the value for money requirements of the Assurance Framework.

8. Financial Implications (Accountable Body Comments)

- 8.1 There are no specific financial impacts for the SELEP arising from this report.
- 8.2 As referenced above, the Strategic Board meeting of the 24th June 2016, agreed that business rate uplifts generated by the Harlow Enterprise Zone could be retained by Harlow Council to support the delivery of specific infrastructure projects at the site, up to the value of £73.15m.
- 8.3 The total cost of the Phase 1 Project, as set out in 4.8 above, will be £15.8m. £1.8m of the cost is to be funded from DCLG Enterprise Zone Capital Grant funding awarded directly to Harlow Council in 2014/15. The balance of £14m is to be funded through borrowing by Harlow Council, on the basis that this will be repaid entirely by the additional business rates generated from the Enterprise Zone. Harlow Council's Cabinet has been advised that due diligence has been undertaken as far as it can to ensure that the business rate increases will cover the total loan amount required. Any risks associated with a failure to attract the required business rates or to maintain the loan repayments sit with Harlow Council.

9. Legal Implications (Accountable Body Comments)

- 9.1 No legal implications

10. Staffing and other resource implications (Accountable Body Comments)

- 10.1 None at present.

11. Equality and Diversity implication

- 11.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 11.3 In the course of the development of the project business case, the delivery of the project and their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

12. List of Appendices

- 12.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).

13. List of Background Papers

- Business Case for Harlow Enterprise Zone Phase 1

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off	
Stephanie Mitchener, Head of Finance	18/05/17
(On behalf of Margaret Lee)	