

TELFORD & WREKIN COUNCIL

CABINET 18 FEBRUARY 2021

CREATING A BETTER BOROUGH - THE TELFORD GROWTH FUND – ANNUAL REPORT

REPORT OF DIRECTOR: PROSPERITY AND INVESTMENT

LEAD CABINET MEMBERS CLLR DAVID WRIGHT AND CLLR LEE CARTER

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN UPDATE

- 1.1 This report sets out the continued achievements of the Council's Growth Fund investments which are continuing to deliver new and higher skilled, local jobs, creating growth and security in the local supply chain, and helping to underpin the Council's Strategy to Protect, Care & Invest into creating a better Borough.
- 1.2 The Council's Growth Fund enables the Council to support economic growth. Through the fund the Council offers a full turnkey solution to support inward investment, generating jobs and positively contributing to the local economy. The Fund has supported a range of commercial developments including Southwater as well as industrial employers such as Rosewood Pet Products and Eden Horticulture Ltd at Hortonwood West and the expansion of Filtermist International Ltd at T54. **Cumulatively, the £47m investment committed to date through the Growth Fund is estimated to deliver an ongoing gross return of 7.2%, 4.6% after borrowing, with over 50% linked to long term lettings of up to 15 years. The additional rental income and additional business rates of over £0.5m per annum (pa) is being invested directly into delivering front line services across all the Borough's communities including older people being supported in residential care or alternatively older people being supported with domiciliary care to remain in their own homes.**
- 1.3 Investment through the Growth Fund is supporting the delivery of new employment floor space at Ni-Park (Newport), a new flag ship employment park for the Borough. The infrastructure works are now complete and the construction of Phase 1 small business units commenced in January 2021. Ni.Park is one of only 3 national High Potential Opportunity sites identified by DiT and the only one in Agri Tech. The Park will provide space for a range of potential occupiers including start-ups, smaller businesses and larger occupiers including from within the Agri Tech sector.
- 1.4 High profile investments made through the Council's Growth Fund alongside the Telford Land Deal and the wider Enterprise Telford offer have been instrumental in the delivery of a number of major investments (also featured in the Telford Land Deal report to Cabinet). This continues to attract interest locally and nationally putting Telford on the investment map.
- 1.5 Speculative investment by third parties remains on the rise showing continued confidence in the Telford market. This includes the completion of a 6500m² (70,000ft²) unit at Hortonwood West, the disposal of land at Halesfield 18 for three mid-range speculative units and the disposal of land for two mid-range units at Hortonwood West.

2 RECOMMENDATIONS

- 2.1 That Cabinet notes the outcomes of the Growth Fund investments to date as set out in section 4 of this report.
- 2.2 That Cabinet approves the allocation of £9.65m from the Growth Fund and Regeneration and Investment Fund to support the developments set out at para 6.0 in this report and delegates authority to the Director: - Prosperity and Investment, in consultation with the Director, Finance and HR and the Cabinet Member: - Council Finance and Governance, to consider business cases through the Fund.

3 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-operative Council priorities?	
	Yes	<ul style="list-style-type: none"> • Everyone benefits from a thriving economy • All neighbourhoods are a great place to live
	Will the proposals impact on specific groups of people?	
	Yes	The investment delivered through the Growth Fund will have a positive impact across the Borough, helping to delivery new infrastructure, deliver new jobs, support businesses to grow and new investment which will support action to reduce unemployment, increase economic independence and address social inequality.
TARGET COMPLETION/ DELIVERY DATE	There is no target delivery date for the investment of Growth Fund monies as this is opportunity lead.	
FINANCIAL/ VALUE FOR MONEY IMPACT	Yes	<p>Full Council approved the increase in the Growth Fund to £50m and the associated prudential borrowing in November 2016. The Property Investment Portfolio (PIP) generates a net revenue income of in excess of £7.8m for the Council which supports a range of Council services. Currently investments totalling £47m have been approved against the approved fund of £50m. The investments approved deliver on-going income from rental streams and retained business rates which supports the Council's budget and contributes to the delivery of savings.</p> <p>As part of the Council's continued commitment to the Property Investment Portfolio, further capital allocations from the Councils Regeneration and Investment Fund totalling £9.65m are proposed, which will further enhance the portfolio.</p> <p style="text-align: right;">DR 11/1/2021</p>
LEGAL ISSUES	Yes	<p>The council has the power to carry out the activity referred to in this report, obtained through a number of pieces of legislation, particularly the general power of competence. Legal Services will continue to provide advice and support as necessary in connection with the Growth Fund.</p> <p style="text-align: right;">AL 14/01/2021</p>

OTHER IMPACTS, RISKS & OPPORTUNITIES	No	<p>The risks associated with each individual investment through the Growth Fund are considered as part of the business case approved as part of the delegated decision making. Where investment is proposed the assessment will be made as to whether the market intervention is required together with an assessment of the level of risk. To minimise exposure there is a cap on revenue liability from speculative new build investments.</p> <p>The development of additional units for the market and an ability to support those wishing to invest in commercial property individually or alongside the Council supports growth in new premises and jobs.</p>
IMPACT ON SPECIFIC WARDS	No	Borough-wide impact.

PART B) – ADDITIONAL INFORMATION

4. ACHIEVEMENTS

- 4.1 First launched in November 2015, the Growth Fund enables the Council to capitalise on investment demand enabling the Council to acquire land and property, build bespoke premises, invest in strategic infrastructure, and strengthen and diversify the Council's Property Investment Portfolio. The Growth Fund enables the Council's Estates and Investment team to react quickly to secure inward investment opportunities and address market failure. It allows the Council to react to new potential investments that assist in regeneration of the Borough and support businesses and jobs. This unique Council approach and willingness to invest in acquiring land, property or infrastructure is enhanced by our ability to design, build, deliver and provide ongoing building management and business support.
- 4.2 In 5 years over £47m has been committed into a range of investments which are anticipated to help deliver approximately 1000 new jobs and safeguard a further 250 jobs. These investments are forecast to generate an average ongoing gross return on investment, including additional retained business rates income of 7.2%, (4.6% net of borrowing costs, at an assumed rate of new borrowing of 2.5%).
- 4.3 The Council's ability to provide land, build and lease bespoke properties and offer a full turnkey solution funded through its Growth Fund alongside the Council's Enterprise Telford business pledge and the Telford Land Deal continues to drive a high number of investment enquiries. The Borough continues to attract significant interest from all sectors.
- 4.4 The agri tech industry continues to thrive in Telford and the provision of Ni Park - a new site particularly suitable as an Agri Tech Park has been identified as one of only 3 national High Potential Opportunity plots by DiT – the only one in Agri Tech. The Park received planning approval in August 2019 with enabling infrastructure completed in November 2020. With investment through the Land Deal and LEP funding, the completed infrastructure unlocked land with the ability to provide circa 38,000m² (409,000ft²) of new employment floor space providing opportunities for companies leading in this sector. The construction work to deliver Phase 1 started in January 2021. Delivery of this first phase is through the Growth Fund providing 3838 m² (41,311ft²) of small business units to be retained in the Council's Property Investment Portfolio. To date enquiries have been high showing a strong market appetite. This first phase of development includes enhanced sustainable measures including the provision of EV charging points and Solar panels to each unit.
- 4.5 There continues to be a significant increase in indigenous companies requiring new premises to expand and wishing to remain in Telford such as Epwin Group PLC who have

recently completed their expansion at Hortonwood 37, constructing manufacturing floor space in addition to their existing premises.

- 4.6 The investments coming forward are still dominated by new investors entering the Borough or existing companies expanding taking additional floor space/premises and is not leading to a major displacement of local companies from other local estates. The void level for industrial premises across all the Borough's estates remains low with Telford & Wrekin Council currently holding nominal voids across the 300 + industrial units within the Property Investment Portfolio. The demand for starter units and grow-on space remains strong as is evidenced through the continuing enquiries for the Councils properties.
- 4.7 A recent market study of Telford's industrial sector by local agents highlights the need for a range of further units from small business units to the larger 10,000m² (100,000ft²+) due to a strong demand. The study notes that whilst there are some speculative schemes coming forward from developers which will assist in plugging the supply gap, demand is still outstripping supply.
- 4.8 Whilst Covid-19 and Brexit has impacted the market many companies are taking the time to take stock and new company registrations are increasing. The view from the Federation of Small Businesses is the expectation of an explosion in demand for embryonic small business start-up premises.
- 4.9 The scale of investment continues to see the Borough established as a major inward investment destination and is delivering infrastructure, jobs and homes that are key to the Council's commitment to 'Protect, Care and Invest to create a Better Borough'.
- 4.10 The Growth Fund is also making significant differences to the people living and working in Telford with examples of how new commercial investment has benefitted individuals.
- 4.11 In addition to the revenue return from investment the Fund is driving additional fee income to biT (the Council's commercial Property & Building Design Consultancy) and apT (the Council's commercial Development Consultancy), reflecting the attraction to companies of the Council being able to provide turnkey development solutions tailored to investors needs supported by a streamlined planning service.

5.0 Examples of Investments

5.1 Recent examples of investments delivered through the Council's Growth Fund include:

5.2 Plot 5A and C, Telford 54



Two new industrial units have been delivered totalling 4365sqm (46,984sqft) One unit is now let to an existing T54 occupier, Filtermist International Ltd to support a business expansion, and the other is under offer. The investment will deliver a long term revenue return to the Council alongside additional business rates and provides additional stock for Telford where there is currently a lack of industrial units of this size.

5.3 Plot 2, Hortonwood West



Land Deal site acquired by the Council for the development of 15 units for small businesses and grow-on space with investment through the Growth Fund. The development delivered 3254 sq.m (35,025sqft) in total and is in direct response to market demand. The development is fully let.

5.4 Ni.Park, Newport



The infrastructure was completed in December 2020 and start on site for the Phase 1 units commenced in January 2021. Delivered through the Growth Fund, this first phase will provide new employment space totalling 3838 m2 (41,311ft2) for a range of potential occupiers particularly start-ups and smaller businesses.



Phase 1 Ni.Park

6.0 GROWTH FUND – FUTURE INVESTMENTS

- 6.1 The approved Growth Fund has to date committed £47m into a range of investments which are anticipated to help deliver approximately 1000 new jobs and safeguard a further 250 jobs. These investments are forecast to generate an average ongoing gross return on investment, including additional retained business rates income of 7.2%, (4.6% net of borrowing costs, at an assumed rate of new borrowing of 2.5%).
- 6.2 As part of the Councils continued commitment to the Property Investment Portfolio, further allocations from the Councils Regeneration and Investment Fund totalling £9.65m are proposed, which will further enhance the portfolio. These will provide a range of developments designed to support the market, for example small business/industrial units for which there is a lack of available stock in Telford. Capital is allocated to sites based upon feasibility criteria with the rate of return for each investment being dependent upon a range of parameters and reviewed by the Council's Finance department on a case by case basis. Business case approvals are delegated to the Director, Prosperity and Investment in consultation with the Director, Finance and HR and the Cabinet Member, Council Finance and Governance

7.0. PREVIOUS MINUTES

Cabinet – 11 January 2011, CB-110
 Cabinet – 17 October 2013
 Cabinet – March 2015
 Full Council – 3 March 2016, CB-79
 Cabinet – 13 July 2017
 Full Council – 21 September 2017, CB-42
 Cabinet - 12 July 2018
 Full Council - 26 July 2018
 Cabinet – 2 January 2020
 Full Council – 23 January 2020

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Appendix 1 – Case Study

GROWTH FUND HELPS TO SECURE ROSEWOOD PET PRODUCTS LTD A PURPOSE-BUILT TELFORD FACILITY



Industry-leading manufacturer Rosewood Pet Products Ltd with the help of Enterprise Telford secured a 15-year lease on a purpose-built, 68,000 square foot warehouse and office complex at Hortonwood West, Telford.

Now up and running, the facility optimises production capabilities, improves efficiency and supports the business' continued growth. The move has allowed Rosewood to consolidate three existing distribution and operation centres, including its Broseley-based head office, where it had been for the past 37 years.

The company, which designs, sources, makes and distributes treats and accessories for pets now exports to over 60 countries and in the last decade has opened offices in China and the USA.

Telford & Wrekin Council's Estates and Investments team stepped in to agree a deal to develop a purpose-built facility for Rosewood when the firm found itself without a developer. Utilising the Growth Fund the Council purchased the site from the Homes and Communities Agency under the Telford Land Deal and entered into an agreement with Rosewood to build a turnkey solution, providing a circa 68,000 sqft building comprising warehousing and offices. BiT Group provided the project management and cost consultancy services and managed the build process from start to its completion in October 2017.

The business has been fitted out with modern warehouse technology, improving efficiency for customer dispatches and storage capabilities – allowing the company the space it needs to pursue further growth, now and in the years to come.



GROWTH FUND HELPS TO SECURE ROSEWOOD PET PRODUCTS LTD A PURPOSE-BUILT TELFORD FACILITY



Bev Panter, co-owner and marketing director at Rosewood Pet Products said,

“Having been fortunate enough to experience substantial and sustained success, we’d outgrown our home, and operational difficulties were holding us back.”

“By securing a new facility specifically built for our needs, we’re now in a prime position to fulfil orders from across the globe, develop new products and deliver on our long-term strategic goals.”



“Enterprise Telford made sure we can hit the ground running, making the move with minimum disruption and putting us in a place where we can flourish for years to come.”

“Rosewood Pet Products Ltd has continued to grow since our move this in large has been facilitated by the move.”

Mark Bollands, Finance Director at Rosewood Pet productions Ltd said,

“Our biggest success to date has been the increase in annual business turnover, in 2017 our turnover was £29M, and in 2020 our turnover was £43M, an increase of 29% over 5 years.”

“Our workforce has of course also had to grow to sustain our rapid business growth, we now employ 83 members of staff. This of course would not have been possible should we have not made the move to Telford.”