



**LOCAL
PARTNERSHIPS**

TELFORD & WREKIN COUNCIL

West Midlands Property Alliance

Using assets for growth



Introduction

Background

Telford and Wrekin is a unitary district with borough status in the West Midlands. The district was created in 1974 as The Wrekin, then a non-metropolitan district of Shropshire. In 1998 the district became a unitary authority and was renamed Telford and Wrekin. It remains part of the Shropshire ceremonial county and shares institutions such as the Fire and Rescue Service with the rest of Shropshire.



The borough's major settlement is Telford, a new town designated in the 1960s incorporating the existing towns of Dawley, Madeley, Oakengates and Wellington. Telford was a new town run by the Telford Development Corporation (TDC) from the 1960s to the changes in 1974.

Telford is located in central England with excellent connectivity by road and rail to Birmingham, Manchester, London and other centres. This connectivity includes an international railfreight park serving businesses looking to move goods across the UK and to air and sea ports. The population of the borough is 173,000 set to rise to 200,000 by 2030. The town was designed to accommodate a population of 200,000 and so has the necessary space and infrastructure for a growth area.

Telford is home to more than 5,000 companies of which 150 are international. It has a strong automotive and engineering base as well as a broad range of other companies. There is a ready workforce of 350,000 within a 30 minute drive of Telford. Situated just 12 miles from the new Jaguar Landrover plant at i54 Telford is well placed to capitalise on supply chain opportunities.

In 2011/12 800 new homes were completed in the borough, one of the highest rates in the West Midlands.

Centre for Cities Cities Outlook 2014 highlights an employment rate in Telford of 68.23 for 2012/13, in comparison with a UK average of 70.20, putting Telford top of the 4 West Midlands cities covered in the Outlook (Birmingham, Coventry, Stoke and Telford). In addition the ratio of private to public sector employment in Telford is 2.92 in comparison with 2.70 for the UK, again the highest in the West Midlands.

The mean house price in 2013 for Telford was £154,600, in comparison with a GB average of £244,100. Telford's house prices were the second lowest in the West Midlands cities and showed a small lift in value of 1.31% since 2012.

The Council

Elected in 2011 the current administration was keen to be positive about growth from the start. It has set an ambitious strategy to capitalise on the big opportunities perceived in Telford for economic and housing growth. As part of a significant restructure of the Council a one-stop shop for business and housing development has been established accompanied by a Business and Development Charter. The Charter offers a range of services including free, timely planning advice and validation of planning submissions within 3 days; a responsive property service with flexible property terms and assistance in financing business growth through a bid writing and advisory service and access to a range of funding streams.

It has been successful in building a 'can do' culture and has been bold in using its own resources and leveraging the value of those owned by others to achieve growth. Examples include:

- ▶ Developing an innovative stewardship agreement with HCA to enhance the value and growth potential of the HCA land-holdings in the area
- ▶ Taking a relentlessly proactive and commercial approach to its investment portfolio
- ▶ Delivering a significant private rented housing programme.



These examples are discussed in more detail in the next section.

In addition Telford & Wrekin was ranked by the National Building Group and Building Magazine as being in the top 10% of authorities providing a positive economic and planning environment for investment, the highest ranked authority in the Midlands.

An ambitious vision for the future

Moving forward Telford is aiming to secure a Growth Deal with government to develop its bold approach. The bones of the potential deal are that Telford would accelerate housing and job growth in return for retaining increased amounts of business rates, New Homes Bonus and earn back from the stewardship of HCA land, which would be invested in projects delivering economic and housing growth.



1. Stewardship of HCA assets

1.1 Background

Despite ambitions to grow the local economy, the Council was asset weak and virtually all allocated employment land was owned by the HCA as successors in title to the New Towns Commission.

The agreement is flexible so more land and property assets can be added in future. It currently covers 160Ha of HCA land including a high profile 31.6Ha site at Junction 4 of the M54 which the council is actively promoting to the automotive sector.

Essentially they act as agents for the HCA to arrive at an acceptable scheme and land price. However, before a sale can proceed any offer is subject to a franking valuation that will be carried out by a registered valuer from the HCA's property panel.

The team maintain a register of live enquiries and continue to liaise regularly with the HCA's West Area Team. They report fortnightly to the Telford Assets Project Group (TWC and HCA officers) on progress on all enquiries, and to the Telford Housing and Economic Regeneration Board (TWC and HCA officers and TWC Councillors)

Having control of a portfolio of employment sites has given the Council an opportunity to invest in speculative design work to encourage companies to expand and invest in Telford.

1.2 Creating a one-stop shop

Building on the Council's departmental restructure, a single point of contact from within the Service Area for Development, Business & Employment is established for each enquiring company so that all matters relating to premises, planning and skills are handled by that named individual. The individual could be from Property, Design or Business Support – all are capable of handling the enquiry and liaising with other departments as appropriate.

In addition, having an experienced member of the TWC team operating at the grass roots level out of the office, meeting companies on Telford's industrial estates and getting to know them has had a huge impact in picking up and encouraging enquires at an early stage.

1.3 Rebuilding confidence and delivering results

Having direct control over the HCA's land has served to re-energise the TWC teams. Councillors describe the experience as being transformative in terms of performance, levels of confidence and ambition amongst officers. Positive feedback is regularly offered by companies using the new one-stop-shop.

Within the first 12 months of operation, transactions on 22 Ha of the sites have been agreed, securing £16m of private sector investment, £3.7m receipts for Treasury and the creation of 300 new jobs.

TWC is hoping to extend the Stewardship Agreement to include further employment land and up to 111Ha of HCA housing land with potential for 3,601 new homes.



1.4 Future investment fund

The Council is seeking approval to establish a local Investment Fund based on earn-back from HCA employment land disposals together with retention of Business Rate growth and retention of 50% of New Homes Bonus on all new homes delivered over and above the Council's current annual growth target of 750 homes.

This new revolving fund would be ring-fenced into enabling works, which accelerate delivery of the Council's growth ambitions, especially physical infrastructure and land remediation to enhance the value and take-up of land as well as potentially to fund speculative property development undertaken directly by the Council or in joint ventures.



2. The investment portfolio

2.1 Background

Telford & Wrekin have a commercial investment portfolio of over 600 properties worth more than £5m in revenue p.a., much of which was inherited from the Telford Development Corporation.

It operates as a separate trading function and takes a commercial and proactive approach to the management of the estate. This includes rationalising assets, disposing of those that do not perform well, and investing in higher performing assets and those that can help deliver the Council's economic objectives. They adopt a proactive approach to the management of the estate and are prepared to invest if a positive business case, meeting target returns, is presented.

2.2 Exceptional characteristics

The Council is clearly committed to acting as a property developer to help deliver its strategic objectives of achieving economic growth and regeneration for the area. The estate management team works seamlessly with planning, regeneration and economic development colleagues to maximise the impact the commercial estate can make, both in earning income for the Council and in seeking to attract and retain the right business tenants needed to secure success for the area. Members have set the agenda and then given officers the freedom needed to deliver the agreed business plan.

Overall the Council has demonstrated that it is willing and able to use all the levers at its disposal, including land, capital and revenue funding, its own covenant and planning powers to build successful partnerships with the private sector, securing what is now becoming a coherent offer as a town.

2.3 Town centre redevelopment

The redevelopment of Telford town centre is a good example of this approach. The Council took the decision to move out of and sell its civic centre because it saw that the site was attractive to private sector developers and that the right sale would effectively anchor the redevelopment of the town centre. It sold the civic centre to Asda for £24m and held out during a protracted dispute over planning permission to secure the development. It was able to buy alternative office accommodation for the Council at the bottom of the market.

The original town centre, built in the 60's and 70's, lacked a good leisure and cultural offer, features often cited by residents and businesses as a disadvantage. Ownership of land in the town centre was mixed with the shopping centre in private ownership. The council has successfully built a partnership for the Southwater area of the town centre, located between the shopping centre and Telford International Centre, one of the UK's largest conferencing and exhibition venues.

The Council has brought forward a mixture of public sector led building projects together with facilitating key private sector investments in Southwater. This has secured £70m of private sector investment and 750 jobs and will see the delivery of a regeneration programme including:

- ▶ Southwater Leisure Hub – an 11 screen Cineworld cinema, 85 bedroom Premier Inn and 7 restaurants fully pre-let to tenants such as Nandos, Pizza Express and Wagamama

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- ▶ The International Centre – TIC completed a £6.5m investment in an extension to its venue helping to boost business tourism as a critical component of Telford’s economy
 - ▶ Ice rink refurbishment and extension – the £4m investment transformed the facility as well as delivering additional restaurant space close to the Southwater leisure hub
 - ▶ Multi-storey car park – the Council are funding and delivering a 600 space car park to attract further private investment. It will be managed as part of the Council’s commercial property portfolio, so delivering additional income to the council as well as facilitating the town centre regeneration
 - ▶ Expansion of Telford shopping centre – on the back of the success of the Southwater development the owners of Telford Shopping Centre have recently secured outline planning consent for a major extension and redevelopment of the shopping centre. Their proposals amount to an investment of £200m creating a further 2,000 jobs. The council is considering investing in the project as a funder to secure an investment income.

2.4 MoD logistics centre

The MoD wished to consolidate their national logistics and storage facilities from two main sites at Bicester and Telford. At the outset MoD considered Bicester to be the preferable location. However the Council has lobbied hard for Telford to be included in the competition and has developed a comprehensive pitch including land availability, incentives and skills. They have secured an option on land adjacent to the current MoD facilities and submitted a planning application, working closely with MoD. They are now hopeful that they will secure the deal having demonstrated the quality of the support the Council is able to provide.



3. Development of homes for private rental

3.1 Key facts

TWC are concerned that growth of economic activity in the Borough is being held back due in part to a lack of choice in the housing market. In addition, Telford and Wrekin Council are currently looking at a number of revenue generating opportunities with one of these being to drive income. In response to this, TWC are currently considering delivering a major rented housing programme at a number of sites across the borough. Research undertaken independently by appointed consultants Savills has highlighted a lack of good quality private rented accommodation in Telford and unsatisfied demand in that sector.

The Council owns a number of allocated housing sites across Telford. One high profile site is adjacent to the town centre extension scheme, Southwater, where the Council are keen to build upon the transformed leisure and retail offer in Telford that their scheme is due to deliver. The sites are suitable for a mix of 1 and 2 bedroom apartments and 2, 3 and 4 bedroom family homes.

A detailed feasibility option analysis is being undertaken by officers and industry specialists based on a direct development by TWC, with the majority of the completed units being retained by the Council as income producing private rented apartments and homes, such revenue being used to support the delivery of front-line services.

3.2 Exceptional characteristics

This is a bold and ambitious plan to intervene in a market which is failing to meet both the needs of local people and the ambitions of local civic leaders. To carry it through, the Council will need to raise significant capital for its delivery.

In recognition of the impact of budget cuts, the Council is using its land assets to generate new revenue streams which will support its balance sheet over the medium to longer terms.

Knowing first-hand that experience in the design, construction, marketing and management of private rented stock is lacking in the Council, a well-constructed programme of engagement with volume house builders, niche apartment developers and agents specialising in this unit typology in other towns and cities is underway to build internal knowledge, capacity and confidence.

3.3 Lessons learnt

The Council are still in the viability stage of the project, and apart from ensuring that the proposals are financially sound, the structure to deliver and manage the developments and the funding route have provided the focus for the team.

A long list of potential funding structures has been reviewed including PWLB, bond finance etc.

The objective through the feasibility stage has been to test cash-flows with the objective of each site in the programme generating a positive return and to de-risk assumptions in the model through detailed design, engagement with the market etc. In all approaches the use of a company model for the management of the portfolio means that Right to Buy would not apply so the Council can protect its ability to repay the loan and sustain the income stream.

External expertise in demand analysis, delivery models and the rental market has been obtained from external consultants Savills with design and engineering



advice from Mace.

Much has been learned about how to optimise the marketing and management of privately rented homes and the role a fully on-line service could play in appealing to customers/tenants.

3.4 Future aims

The Council has the following objectives for the project:

- ▶ To reach a firm Cabinet decision on the funding and implementation of this proposed scheme to enable construction to commence within the next 18 months, capitalising on the completion of the Southwater scheme and recent upgrading of the town park
- ▶ To actively manage these new assets as part of the Council's Asset Management Strategy, which is geared towards the twin objectives of improved quality of service and local growth.

4. Conclusions

Telford and Wrekin Council has been successful in achieving some significant growth related outcomes through use of its asset base in challenging times.

4.1 Strengths

Its strengths lie in building a 'can do' culture and being bold in using its own resources and leveraging the value of those owned by others to achieve growth. Strong and consistent leadership from members and a cross-Council commitment to seeking growth have been vital in developing this entrepreneurial approach.

4.2 Constraints

Funding is the main constraint, now that traditional gap funding is very limited, but the Council is seeking to develop an earn back model and revolving investment fund to enable gains from successful development to be recycled into future projects.

4.3 Sharing ideas

Telford and Wrekin Council are happy to share ideas and learning with other authorities from the West Midlands and nationally.



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