

**JOINT REPORT OF THE CHAIRMAN OF FINANCE AND PROPERTY
COMMITTEE AND THE CHAIRMAN OF TRANSPORT AND HIGHWAYS
COMMITTEE**

ROLLS ROYCE SITE HUCKNALL

Purpose of the Report

1. The purpose of this report is as follows :
 - (a) To amend the current agreement in relation to the construction of a new access site to the Rolls Royce site at Hucknall;
 - (b) To agree the consequential necessary changes to the Capital Programme in accordance with Financial Regulations;
 - (c) To give retrospective approval to a funding bid submitted to government for Pinch Point resources.

Information and Advice

2. Since 2007, Rolls Royce has been working on the development of their Hucknall site. The aim of the development is to create new jobs on the site with an estimated 2,000 new jobs being created. In addition to developing a new business park, it is also intended that 32 hectares of the site will be used for housing development. Whilst access to the housing land is available through existing routes (subject to appropriate enhancement) a new access to the proposed business park is required from the A611.
3. On 15th October 2012, Finance and Property Committee approved an option agreement with Rolls Royce. The agreement allowed Rolls Royce to purchase land from the Council to facilitate the construction of a new access road to the proposed business park.
4. Rolls Royce is working with its development partner, Muse Developments, to ensure a comprehensive development of the site which in addition to the business park and housing development referred to above will also include community facilities, a local retail area, a public house, a primary school and a 50 bed care home.
5. Since the decision of Finance and Property committee last October, applications for Regional Growth Funding (RGF) and Growing Places Funding (GPF) have been made. Whilst the GPF bid was successful the RGF bid was not and this has resulted in this major development being placed at risk.
6. Following discussions with Rolls Royce it is proposed that in order to ensure the development can proceed, the option agreement approved by Finance and Property Committee be amended. It is suggested that this Council undertakes the required access

construction works itself and that only in the event of the Council not undertaking the work within an agreed timescale will Rolls Royce exercise its rights under the agreement.

7. The position in regard to the development of the site remains exactly as it was when Finance and Property Committee considered the matter last October. The suggested amendment to the agreement is to ensure that the development can proceed in light of the failure to secure RGF monies.
8. The proposed construction for access to the site will not only provide access but will ensure the minimum disruption and nuisance to the surrounding area. The construction will include a new roundabout on the A611 by pass and an access road to serve the business park. The roundabout will initially be a 3 arm roundabout but a 4th arm will be added at a future date to service land owned by the County Council to the east of the by pass.
9. The cost of construction is estimated at £3.154M. A bid has been submitted to Central Government under its Pinch Point Programme seeking a contribution of £2.2M towards this cost. The bid was submitted at the end of February to comply with Department of Transport requirements. It is hoped that this bid will be successful given the number of new jobs predicted to be created by the development. A decision is expected towards the end of May. Assuming the bid is successful the Council will need to make £954,000 available to meet the shortfall.
10. It should be noted that the construction of the roundabout, in particular the proposed 4th arm, will increase both the commercial value of and the practical facilitation of access to the Council's adjoining land.
11. As a decision is still awaited regarding Pinch point funding it is necessary to increase the Capital Programme by £3.154M in order to proceed with this proposal.

State Aid Considerations

12. State Aid implications have been considered and the Council's external legal advisor has concluded that there are no State Aid issues arising on the basis that :
 - the road and roundabout would be constructed entirely upon land owned by both the City and County Councils;
 - the roundabout on the A611 benefits the potential development of Council-owned land to the east;
 - the road is proposed to help support the wider traffic management issues;
 - A commercial test has been deployed via the agreements between Rolls Royce, Muse and the two Councils concerned.
13. The GPF funding is the subject of separate but related guidance on State Aids via the Accountable Body for the D2N2 LEP. To date, the initial advice via due diligence confirms that the funding does not constitute State Aid.

Conclusion

14. The employment potential for the business park once developed looks to be significant at 2,000 jobs and at 2008 figures, the estimated additional economic contribution as defined

by GVA may be as much as £143Million. The potential business rates uplift also merits reference. Assuming a phased development but excluding both existing and proposed the Rolls Royce factories, it is suggested that the total business rate take will be in the region of £16Million over a 25 year period.

15. Should the County Council be minded to agree the recommendation, it is proposed that it be subject to :
- Rolls Royce / Muse Developments securing all required planning permissions;
 - the successful conclusion of a Section 106 Agreement;
 - an agreement to the amendments to the heads of terms for the existing Option Agreement between the parties and
 - The securing of GPF resources via the D2N2 LEP.

Other Options Considered

16. The Committee could decide not to support this proposal, with the subsequent implications as referenced within the report.

Reason/s for Recommendation/s

17. The report reflects on the reasons for making this recommendation and the associated conditions to be applied,

Statutory and Policy Implications

18. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described in the report.

Financial Implications

19. As set out in paragraph 11, the current estimated cost of installing the necessary highways infrastructure to facilitate the development of the site is £3.154M. A bid for Government (Pinch Point) funding has been submitted, which if successful would lever in £2.2M towards the project cost. This would leave a balance of £954,000, which would fall on the County Council's capital resources. The Council does have a capital contingency but for 2013/14 this is only £829,000, and there are other pressing calls on the Council's capital programme. As such there may need to be a re-prioritisation of the programme, or the Council may have to consider increasing its estimated level of borrowing, if this scheme is to be funded. The level of re-prioritisation or increased borrowing will clearly be determined by the success or otherwise of the bid for Pinch Point funding.
20. It is important to recognise however, that if the development were to go ahead, it would have positive implications for the Council in terms of both council tax and business rate income growth that could to some degree offset any additional capital financing costs that may arise as a result of additional borrowing.

RECOMMENDATIONS

21. Subject to the other conditions referenced in paragraph 15 above, it is recommended that:
- (a) the Council's Capital Programme is increased by £3.154M;
 - (b) the submission of the bid under the Government's Pinch Point Programme be approved;
 - (c) all further highway engineering design work be carried out and delivered by the County Council's Highway Programme Design and Delivery Group in partnership with the Midlands Highways Alliance;
 - (d) a further report be brought to Finance and Property Committee in 2 months reporting progress on this proposal.

Joint Report of the Chairman of Finance and Property Committee and the Chairman of Transport and Highways Committee

**For any enquiries about this report please contact:
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Constitutional Comments

22. This decision falls within the terms of reference for approval by Full Council. [SSR 15.4.2013]

Financial Comments

23. The financial implications are stated within the report. [NS 15.4.2013]

Background Papers

Report to Finance and Property Committee 15th October 2012

Electoral Division(s) and Member(s) Affected

Hucknall