

Report of Director of City Development

Report to Executive Board

Date: 13th February 2019

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Subject: Leeds City Region Enterprise Zone update and Infrastructure Delivery

Are specific electoral wards affected? If relevant, name(s) of ward(s): Temple Newsam, Burmantofts & Richmond Hill	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4 (3) Appendix number: 2 & 3	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

- i) Delivery of new jobs and growth in and around the Leeds City Region Enterprise Zone will play a key role in achieving the Best Council Plan ambition for Leeds to have a strong economy and in meeting the Council's priorities to support inclusive growth with access to economic opportunities by providing new jobs and boosting the local economy. This also aligns with the objectives of the Leeds Inclusive Growth Strategy 2018-2023, particularly working together to create better jobs, supporting places and communities to respond to economic change and creating jobs close to communities. Provision of 21st century infrastructure can unlock sites and make them more attractive to inward investment.
- ii) The Leeds City Region Enterprise Zone was first designated in 2012 and covers 142 hectares of land with the potential to deliver in excess of 4.3 million sq. ft. of new employment floorspace accessed immediately from junction 45 of the M1, yet only 10 minutes from Leeds City Centre. This makes the Enterprise Zone one of the most strategic employment sites in the country. Initially little development came forward as the economy recovered from recession. However, in the past four years there has been a step change in activity with a significant quantum of development already having been delivered, more under construction and other applications being considered by the Local Planning Authority. This has led to this part of the Aire Valley being transformed into a key employment location, which has already generated over 500 jobs and attracted global businesses to Leeds. This can be quantified to over £25m of private sector investment in the area

to 2017 with more already delivered in 2018 and additional planned in the EZ alone.

- iii) This is a direct result of the City Council taking a number of proactive steps to stimulate activity, including providing funding to ensure the delivery of highway infrastructure to access development sites and through securing £8.5m of grant funding from the Government's Building Foundations for growth programme in 2014, which has been used to deliver infrastructure and remediation works on various sites across the area. This has included a flood relief channel through the Logic Leeds site adjacent to the Wyke Beck, drainage attenuation ponds, highway infrastructure and remediation works at Gateway 45, as well as 2,000 trees, and planting of 50,000 bulbs and wild flowers along Pontefract Lane. In addition the Council undertook a number of actions to support development including:
- Entering into a number of 'put and call' options thus underwriting development risk and facilitating development;
 - The purchase of 3 industrial warehouse units totalling approximately 100,000 sq. ft. as part of its wider investment strategy.
- iv) As testimony to the work undertaken by the Council as well as the Enterprise Zone's strategic location, a number of high profile occupiers have chosen to locate in the area. A number of important Leeds based businesses seeking expansion have already relocated or are in the process of relocating to the area including Watershed Packaging, Samuel Grant, Orion and Premier Farnell. Inward investment has also been evident by companies such as, John Lewis, McLaren and Perspex Distribution. The cutting edge Veolia Recycling and Energy Recovery facility is a landmark building in its own right due to its innovative architecture and construction, within which state of the art processes are managing the city's household waste. The Council has also delivered a new park and ride facility on the Gateway 45 site (formerly Temple Green) which is proving a success and has been identified for expansion.
- v) In July 2017, the Secretary of State for Transport consulted on developing a rolling stock depot for the eastern leg Phase 2b of HS2 at the Gateway 45/Skelton Grange site. The Council and West Yorkshire Combined Authority submitted a combined response, with Aire Valley Land responding separately. Since this time, all parties have worked with HS2 and in July 2018, the Secretary of State confirmed the site as the preferred location for the depot. Whilst initially causing some uncertainty for the future development of the site, this announcement provides a strong basis for the area to become a hub for rail related businesses and the Council is working closely with the University of Leeds, which has established the Institute for High Speed Rail and Systems Integration, to be based at the site to fully realise the potential of the city for high speed rail research and development and manufacturing activity.
- vi) The ongoing challenge for the Enterprise Zone is maintaining this success. An independent report was commissioned by the Council in 2015 to review

the Enterprise Zone and this set out issues which need to be effectively managed, recommending that ensuring access for new development to power in an efficient and cost effective manner is key. Notwithstanding this it is important that that access to power is increased wider than just the EZ to ensure that its success is not to the detriment of other areas.

- vii) Northern Powergrid (NPG) is the Distribution Network Operator for Yorkshire and the North East and has expanded the power network into the area incrementally as demand has arisen since the inception of the Enterprise Zone. However, to ensure greater confidence can be given to businesses and inward investors, an opportunity exists to invest in new infrastructure ahead of demand, thus reducing development timescales and improving the attractiveness of the Enterprise Zone as well as the adjoining area.
- viii) Executive Board approval was given in July 2016 to deliver an independently operated substation, however, following positive discussions with NPG, this report seeks approval to progress a different solution with this organisation in its role as the Distribution Network Operator with funding to be provided from the West Yorkshire Combined Authority.

Recommendations

Executive Board is recommended to:

- i) Note the progress made to secure development and occupation of new floorspace within the Enterprise Zone;
- ii) Subject to the approval of a Final Business Case by the West Yorkshire Combined Authority, approve the principle of the Council entering into agreements with Northern Powergrid and the Combined Authority, as well as with relevant landowners/developers, to facilitate the construction of the infrastructure required to provide an additional power supply for the Enterprise Zone and the adjoining area;
- iii) Delegate authority to the Director of City Development to negotiate and enter into an agreement with West Yorkshire Combined Authority for the provision of funding to support power infrastructure delivery and to inject the funding provided into the Council's Capital Programme;
- iv) Agree that, subject to an agreement acceptable to the Director of City Development being negotiated with Northern Powergrid for the installation of the required infrastructure, the Director of City Development be given delegated authority to accept a formal quote from Northern Powergrid and to incur the necessary expenditure to facilitate such installation; and
- v) Delegate authority to the Director of City Development to negotiate and enter into agreements with Northern Powergrid for the installation of the required infrastructure and with relevant landowners to recover the costs of installing such infrastructure.

1 Purpose of this report

- 1.1 The purpose of this report is to update Executive Board on progress within the Leeds City Region Enterprise Zone and to delegate authority to the Director of City Development to negotiate and enter into agreements with Northern Powergrid (NPG), West Yorkshire Combined Authority (WYCA) and the relevant landowners/developers to facilitate the installation of and payment for the infrastructure required for the provision of additional power to the Enterprise Zone and adjoining areas.

2 Background information

- 2.1 In 2012, the Department for Communities and Local Government (DCLG) granted Enterprise Zone status for a cluster of sites in the Lower Aire Valley of Leeds. This comprises 142 hectares of designated employment land with the potential to deliver c4.3m square feet of new floorspace for a range of manufacturing, logistics and warehousing uses. The Leeds City Region Enterprise Zone is in an unrivalled location with direct access from Junction 45 of the M1 motorway, but less than 10 minutes from Leeds City Centre. The adopted Aire Valley Area Action Plan provides a wider context for this development and includes a number of further employment and residential opportunities in the surrounding area.
- 2.2 The Enterprise Zone consists of four primary development areas – Newmarket Lane (9.4ha); Thornes Farm (21.08ha); Logic Leeds (49.1ha); and Gateway 45 (63.04ha).
- 2.3 The Council took a proactive approach to ensure progress was made in the development of the Enterprise Zone by securing £8.5m of grant funding through the Government's Building Foundations for Growth Programme to support the delivery of infrastructure on various sites across the zone. In addition 'put and call' options were entered into as a means of underwriting development risk to deliver speculative development of new units. Two units at Connex 45, delivered by Wilton Developments, were progressed in this way and are now let to Fed Ex and Perspex Distribution (part of the Mitsubishi Group) without further involvement from the Council.
- 2.4 The Council has also provided separate grant funding to Muse Developments for the Logic Leeds site to facilitate the delivery of the internal spine road, which will provide a route through to the adjoining Halton Moor estate, enabling easier access for local residents to access the new job opportunities emerging in the Enterprise Zone. The initial sections of this road have already been delivered with the entire route due to be completed by June 2019.

2.5 Development Update

Introduction

2.6 There has been a great deal of development activity undertaken within the Enterprise Zone as summarised below, with interest growing as the area becomes more established. Over 1.1 million sq. ft. of new floorspace has so far been delivered since 2012, with a further 360,000 sq. ft. currently under construction:

2.7 Gateway 45 (formerly Temple Green) – Aire Valley Land

- The largest site in the Enterprise Zone and is being delivered by Aire Valley Land which is a Joint Venture between Evans Property Group and Harworth Estates.
- Work to remediate the phase 1 development plots has now been completed and McLaren, a high quality car dealership, has located on the site. A planning consent has also been secured for a petrol filling station alongside the now established Park and Ride, which provides 1,000 car parking spaces and a fast frequent bus service to and from the city centre.
- Required highway infrastructure, including a new bridge over the Wyke Beck to open up access to future phases of development has been delivered, alongside works to the beck itself and a landscaping scheme for the entry to the site. Funding for this work was obtained from the Government's Building Foundations for Growth Programme in addition to a LEP Loan.
- An application for the demolition, recycling and remediation of the former waste water filter beds on the site has been approved.
- The Government has identified land at Gateway 45 and the former Skelton Grange Power Station as its preferred location for the HS2 Eastern Leg Rolling Stock Depot. The depot will be used as a training hub for engineers working on the high speed line and has the potential to create 125 skilled jobs.
- The University of Leeds has established the '*Institute for High Speed Rail and Systems Integration*' and is planning a new campus at Gateway 45. The Institute will have state of the art train/track/equipment testing facilities and will be of global significance. Work is ongoing with the university to explore ways to fully realise the potential to the city for high speed rail research and development, and manufacturing activity. However it is clear that this facility has the potential to drive growth through inward investment with the subsequent benefits of additional regeneration and job creation through the supply chain, putting Leeds at the heart of high speed technology on an international basis. The future potential for this facility to grow into an advanced manufacturing and engineering research hub generating and supporting additional university activity in the area is also a potential positive long term impact on the area shaping the direction of activity, investment and further enhancing its world leading status.

2.8 Logic Leeds – Muse Developments

- The first phases of the Logic spine road have already been delivered alongside a number of other infrastructure works including surface water attenuation ponds and a flood relief channel.
- 130,000 sq.ft of logistics space has been built out including John Lewis's regional distribution centre which distributes products to customers across the region and specifically goods ordered through both their York and Leeds flagship store.
- Premier Farnell is investing £60m in a new 361,000 sq. ft. warehouse facility which is currently under construction, retaining jobs already within the city and enabling additional employment opportunities.
- A planning application for a further warehouse unit totalling circa 360,000 sq. ft. on the site has also recently been approved.

2.9 Newmarket Lane

- Veolia has delivered the Council's 165,000 sq. ft. Recycling and Energy Recovery Facility which is capable of delivering both heat for a district heat network which is now under construction and power back to the grid. The site entered testing in autumn 2015 and is now fully operational taking all general household waste from Leeds.
- Wilton Developments has delivered three industrial units totalling 83,000 sq. ft. of floor space. One of these has now been let and the others are being marketed.

2.10 Thornes Farm

- The Council disposed of c.5.8ha of land on Thornes Farm to Watershed Packaging, Marshalls, Predator Nutrition and Wilton Developments.
- In 2014, Watershed Packaging delivered a bespoke purpose built unit to relocate and expand their business from their historic location of Beeston. As part of their growth, 23 new jobs have so far been created, with their new 25,000 sq. ft. unit having further scope for expansion.
- Marshall Developments has delivered 3 modern units close to the entrance of Thornes Farm. Samuel Grant which delivers packaging solutions relocated to a 50,000 sq. ft. unit in October 2015, while Orion, a computer/ data racking system supplier relocated to a 27,000 sq. ft. unit in early 2016. A further 20,000 sq. ft. unit was speculatively built and has subsequently been taken by Jim's Carpets, which has a number of retail outlets across Yorkshire and major contracts with the house building sector.

- Connex 45, Wilton Developments – the Council entered into ‘Put and Call’ options as a means of facilitating the early delivery of two units on this site. Fed Ex opened a new distribution centre from the 50,000 sq. ft. unit in October 2015, while Perspex Distribution, which is part of the Mitsubishi group, opened its new sales, customer fulfilment and distribution centre from the 30,000 sq. ft. unit in April 2016.
- Predator Nutrition, a fitness supplements supplier, has completed construction of a new distribution centre and is seeking interest in the remaining portion of their site.
- ACS, a Leeds stainless steel designer and fabricator purchased a site fronting onto the A63 East Leeds Link Road and construction is currently underway on a new head office and production facility, totalling 50,000 sq. ft. Options for the remainder of the site are being considered.

2.11 In addition to the progress made within the Enterprise Zone, a Motorway Service Area on land to the east of Junction 45 of the M1 has been approved and works are underway with completion planned for summer 2019. This will provide further employment opportunities and will sit alongside Skelton Gate which is proposed to become a new residential community with 1,800 – 2,000 new homes. In addition, Harworth Estates owns the former Skelton Grange power station site and has long-term proposals for the development of this area.

2.12 The Enterprise Zone has a number of benefits. The business rates generated from the zone are to be retained by the Local Enterprise Partnership (LEP) for 25 years, providing a basis to invest in other economic growth schemes in the city and wider city region. In the case of plots capable of accommodating larger units on Temple Green and Logic Leeds, Enhanced Capital Allowances allow companies paying UK corporation tax the opportunity to accelerate the rate at which they can offset investment up to 2020. This makes them more attractive to capital intensive businesses such as manufacturers and will help to lever in major new occupiers and support the growth of good quality jobs.

2.13 In addition, the LEP’s business growth programme is able to provide grant funding of up to £1m to support businesses to expand and the Council is able to provide support to businesses to recruit new staff and apprentices.

2.14 As development activity and on-site works have increased, so too has the level of occupier interest generated. Whilst there has been substantial interest from Leeds and City Region indigenous companies, the Council is working closely with the LEP to promote the Enterprise Zone to businesses located outside the City Region and on the International Stage, including work with the Department for International Trade. The decision by the likes of Fed Ex, Amazon and John Lewis to locate within the zone is also helping to demonstrate confidence in terms of both its location and offer.

2.15 The challenge faced by the Council, LEP and development partners is now to ensure that the positive progress already made is maintained into the future.

3 Main issues

- 3.1 An independent report was commissioned by the Council in 2015 to review the Enterprise Zone. Undertaken by specialist economic advisors Genecon, this identified that ensuring sufficient power within the Enterprise Zone is essential to ensuring that the area is attractive to growing businesses and inward investors and in particular to reduce the uncertainty associated with securing power to new developments.
- 3.2 In order to ascertain the capacity that existed in the area and the potential future power requirements the Council subsequently commissioned Arup to undertake a three stage study. This work indicated that whilst the power requirements of the Enterprise Zone were being met through incremental expansion of the power network, the longer term development of the Enterprise Zone and adjoining areas would be aided by the delivery of a 'ready and waiting' capacity of power at the correct voltage. Taking such action would reduce connection costs and timescales for delivery compared to developers seeking individual connections on an ad hoc basis.
- 3.3 In order to facilitate this, feasibility work was undertaken in connection with the provision of a new substation, anticipating its delivery by an Independent Network Operator (IDNO). However, through market testing, a greater understanding of the likely delivery route and the discussions highlighted in 3.5 below, it became clear that this may not be the most cost effective solution. The likely outlay would be significantly higher (as set out in exempt appendix 2) and even through innovative partnership arrangements with operators, the likelihood of recovering a significant proportion of the outlay was limited.
- 3.4 In addition the feedback from IDNO's through the market testing was that in order for a project to be commercially viable for them, it required much higher capacity provision than required for the area. As such it would not be an attractive proposition for such operators and they would not be likely to tender for the work.
- 3.5 At the same time, discussions were also taking place with Northern Powergrid (NPG) and a number of alternative solutions have been explored. As the incumbent District Network Operator (DNO) NPG is able to provide solutions which are not open to independent providers i.e. the delivery of infrastructure only.
- 3.6 The options considered alongside this for capacity increase through the DNO and IDNO's are outlined and considered in the table below (a full table including estimated costs is set out in Exempt Appendix 2):

	Mega Volt Amp (MVA) Capacity increase	Solution	Considerations
Option 1	30 MVA	New IDNO primary substation	The existing NPG network is able to support some capacity increase and thus the delivery of additional capacity at this scale increases the risk that repayments may not be fully recovered through connections. Also, not commercially attractive for an IDNO and less cost effective.
Option 2 (preferred option)	18 MVA	NPG infrastructure	Would deliver a sizeable capacity increase. However, not commercially attractive for an IDNO and less cost effective.
Option 3	16.8 MVA	NPG infrastructure	Ability to deliver a higher capacity at similar cost is preferable to further ensure deliverability. However, not commercially attractive for an IDNO and less cost effective.
Option 4	12 MVA	NPG infrastructure	Certainty and resilience of capacity is less certain through this option and delivers less flexibility and resilience than Option 2.

3.7 Arup have been re-engaged and asked to appraise the 18MVA option. They are of the opinion that the costs presented by NPG are realistic. This option would provide a ring-fenced supply of 18MVA of electrical power to the Enterprise Zone and adjoining areas, giving certainty around the availability, capacity and delivery of power, which will help to sell the area to inward investors as well as underpinning any rail sector growth achievable through close working with the University of Leeds.

3.8 In addition there would be further NPG investment in the form of infrastructure/assets that would be brought on line to support the delivery of the proposed solution but for which no capital contribution would be made from this investment:

Stourton:

- Sourced at Skelton Grange 132kV GSP
- 132kV assets and circuits from Skelton Grange to Stourton

Knostrop/York Road/Selby Road:

- Sourced at Skelton Grange 132kV GSP
- 132/33kV transformers and 33kV switchboard and circuit breakers at Leeds East
- 33kV cables from Leeds East
- 33/11kV transformers at Knostrop/York Road/Selby Road.
- 11kv switchboard at Knostrop/York Road/Selby Road

3.9 As set out above, the proposed investment also unlocks additional investment by NPG in the power infrastructure of the area that is not currently being fully utilised thus realising greater benefit than the estimated infrastructure cost alone. Furthermore the upgraded infrastructure delivers a basis for NPG to upgrade further in the future on an incremental basis. As infrastructure has been brought further towards the M1, additional future development in the area will also benefit from this. This is on the basis that NPG has to provide the cheapest connections to power, thus the new infrastructure provides potential for shorter cable runs and thus cheaper and quicker connections.

3.10 Power requirements for an area can vary dramatically between different users and uses and over time - depending on what the power is used for and when. For example, a number of sites have required significantly more power than anticipated since the beginning of this project. Therefore the proposed increase in capacity would provide certainty of supply and ensure network resilience to the range and scale of types of development that may come forward. In recent months, NPG has either agreed to provide or quoted for the provision of electricity supplies to landowners/developers within the Enterprise Zone using existing infrastructure. This means that the immediate power requirement for the Enterprise Zone can be met but it remains the case that further power for the reasons stated is likely to be required in the future. In addition, it is anticipated that adjoining areas will have a need for additional power which will be able to be met using the additional capacity that would be available.

3.11 Discussions instigated by the Council with NPG have led to it having a greater understanding of the power requirements in the Enterprise Zone and the need to consider capacity issues relating to commercial and industrial growth across a wider area of East and South Leeds. As stated above, this has already helped lead to a more targeted allocation of the existing available power supply in the wider area.

- 3.12 The preliminary estimate obtained from NPG states that the work required to upgrade and expand the infrastructure to enable an increase in capacity of 18MVA of electricity could be accommodated within the budget envelope established through the indicative funding approval secured from WYCA in December 2018. Details of a formal quote subsequently received from NPG are set out in Exempt Appendix 3 to this report. Arup considered that an Independent Network Operator (IDNO) owned substation could provide 30MVA but that the cost would be significantly higher than the other solutions available. As the NPG option would deliver nearly two-thirds of the power a substation would, but at less than half the cost, this was considered to be a better value option. An IDNO substation solution to provide the same capacity solution offered by NPG would not be of commercial interest to IDNOs. It would also be less cost effective, as the majority of the costs of such a solution are created directly by the substation and its infrastructure, and are not influenced to such an extent by the capacity that the substation is able to supply i.e. the supply of a lower capacity would reduce costs but not to the extent of the NPG solution proposed.
- 3.13 In order to progress the recommended solution it may be necessary to seek a further quote from NPG. Details of this are provided in the Exempt Appendix to this report and it is recommended that, subject to an agreement acceptable to the Director of City Development being negotiated with NPG, it should be accepted. Should the quote be considered favourable and accepted, NPG would then tender the works and provide a further update on costs. However, this cost is still an estimate and should the cost of the on-site works exceed this figure the additional costs will need to be borne by the project.
- 3.14 Discussions with NPG have led to a better understanding of power requirements in the area, which in turn has reduced the future power requirements, meaning that a 30MVA supply could result in an excessive surplus remaining upon full build out of the Enterprise Zone and thus an unnecessary and wasted commitment of public funding. Whilst it is possible that a supply of 18MVA may also exceed the immediate power requirements of the area it will enable quicker and more efficient delivery of development, thus realising the aspirations of the Council and LEP in a shorter timeframe. The 16.8MVA option would provide around the same level of capacity, but it is considered that the ability to deliver a higher capacity at similar cost is preferable to further ensure deliverability, maximum flexibility and resilience to meet future demand increases.
- 3.15 If a formal quote is accepted, NPG will seek tenders for the works from a minimum of three contractors within its existing procurement framework. If the cost of the works increases over the initial estimate, either at the point NPG obtain tenders or after works have started, such costs will be initially be payable by the Council and in so far as they exceed the amount of funding provided by WYCA, the process for seeking additional funding as set out at paragraph 4.6.3 will occur.
- 3.16 Power would be reserved for the area by way of the agreement between NPG and the Council and would subsequently be made available to developers on payment by them to the Council of a relevant proportion of the costs of installing the infrastructure as well as a connection fee to NPG. It is proposed that the costs of installing the infrastructure will be recovered from landowners/developers on a

pro-rata basis (together with interest) according to the amount of power required to be supplied when individual connections are requested.

4 Corporate considerations

4.1 Consultation and engagement

4.1.1 Both the Leader of the Council, and the Executive Member for Regeneration, Transport and Planning are regularly appraised of development activity and progress. In addition, the Chair of the LEP receives regular updates through the Strategic Delivery Board. Ward members also receive timely updates about progress and key announcements.

4.1.2 The Council works closely with developers to secure development activity. This also involves working closely with potential end users as well as WYCA and the LEP.

4.2 Equality and diversity / cohesion and integration

4.2.1 An Equality Impact Assessment (EIA) screening exercise has taken place to ensure due regard to Equality, Diversity, Cohesion and Integration was effectively considered. The outcome of the screening exercise was that a full EIA is not required at this point and there are no likely impacts on any of the protected equality characteristics. The screening form is attached as an appendix.

4.3 Council policies and best council plan

4.3.1 Investment into the Leeds City Region Enterprise Zone and wider areas of employment across East and South Leeds will play a key role in achieving the Best Council Plan priorities of supporting inclusive growth with access to economic opportunities and the provision of 21st Century Infrastructure. This contributes to Leeds' ambition to have a strong economy whilst being a compassionate city, as well as the Council's ambition to be an efficient and enterprising organisation. The Inclusive Growth Strategy has 'creating a federal economy' as one of its 12 big ideas, i.e. the delivery of jobs close to housing. The Enterprise Zone, as a major driver for economic growth within the City Region, sits firmly in the area-based investment priorities for the Leeds City Region Strategic Economic Plan which will see the potential of investment from the Local Growth Fund.

4.4 Resources and value for money

4.4.1 The LEP is actively involved in the delivery of the Leeds City Region Enterprise Zone as well as other enterprise zones more recently designated in other districts across the City Region. There are a range of infrastructure requirements across all of the Enterprise Zones and the LEP, through discussion with Local Authorities, is exploring the scope to fund these via a single fund. The proposed agreement with NPG will not be entered into until funding from the LEP has been confirmed. Investment into the power network is intended to be recoverable from landowners/developers as they take up new connections or increase their existing capacity. This will be subject to separate agreements between the Council and

landowners/developers and any costs recovered by the Council will be repaid to the LEP.

- 4.4.2 WYCA have been involved in the project from the outset and have been continually appraised of progress. Outline business case approval was gained in 2016 for the then proposed IDNO substation. Following the proposed change in delivery, a full business case was submitted in 2017 and was further refined in 2018, before being presented to the Project Appraisal Team (PAT) in September 2018. The proposal was supported by PAT, and WYCA agreed to continue working with the Council to ensure that WYCA's approval processes meet the needs of the project due to the fact that costs can change between quote, tender and final costs. Final approval will be required following submission of a full business case with costs once the work has been tendered by NPG.
- 4.4.3 WYCA retains business rate receipts from the Enterprise Zone for the duration of its 25 year designation and therefore the delivery of power infrastructure supports the long term financial planning for WYCA.
- 4.4.4 Arup have been commissioned to review cost information across the project and are content with the proposed approach and consider both NPG's original estimate and their subsequent quote to be realistic. Proposed costs have also been shared with the Enterprise Zone landowners/developers who consider them to align with their knowledge of commercial upgrade and connection costs, which further indicates value for money.

4.5 Legal Implications, access to information and call In

- 4.5.1 The implications of entering into an agreement with NPG are set out in the Exempt Appendix. The works cannot be delivered by any other provider thus are not open to competition.
- 4.5.2 Due to the bespoke arrangements which are being negotiated with NPG, these arrangements will be made in accordance with Section 22 of the Electricity Act 1989 which means that the agreement that the Council will enter into with NPG will fall outside of regulation under that Act. Section 22 allows for a "special connection agreement" between electrical distributors and third parties, which in this instance would enable a long term capacity reservation of the power provided by the works and for this to be allocated to landowners/developers within the Enterprise Zone by the Council.
- 4.5.3 The proposals outlined in this report will support growth and the provision of jobs in alignment with Council policies on these aspirations and in accordance with the Council's powers under the Localism Act 2011. Section 1 of the Localism Act gives the Council the power to do anything that individuals generally may do. It is proposed that the Council will enter into an agreement with NPG whereby NPG will provide the required infrastructure within an agreed timescale. The Council will also enter into agreements with landowners/developers who require power whereby they will agree to repay an appropriate proportion of the costs incurred by the Council at the point in time that they require power to be provided to their sites. In this way the Council will ensure that as regards any landowners/developers who will benefit from the provision of the infrastructure,

the provision of funding for the installation of the infrastructure by the Council will be compliant with the European Commission's rules as to the provision of State Aid.

4.5.4 As regards NPG, the Council will need to ensure that the arrangements which are entered into with it are compliant with the State Aid rules. Further advice will be taken as necessary before any agreement with NPG is entered into. As outlined in this report, NPG's initial quote for the installation of the infrastructure has been reviewed by Arup and they have advised that it is in line with market prices. Any further quotes obtained from NPG will also be subject to review by Arup to ensure that they are also in line with market prices.

4.5.5 Exempt Appendices 2 and 3 contain information relating to the financial and business affairs of the Council and NPG and disclosure would be prejudicial to the Council's negotiations with NPG as well as to the commercial interests of both parties. In the circumstances, the public interest in maintaining such information as exempt from disclosure outweighs the public interest in disclosing it, and it is recommended that the information contained in Exempt Appendices 2 and 3 should be treated as exempt information for the purposes of Rule 10.4 (3) of the Council's Access to Information Procedure Rules.

4.6 **Risk management**

4.6.1 Outline approval for a grant was given by WYCA in December 2018, however funding can only be sought for estimated costs provided by NPG, as set out in Exempt Appendix 3. If the tendered cost of the work is higher a change request will be submitted to WYCA to ensure that the additional funding required is secured at that point.

4.6.2 A further risk is that the cost of the on-site works exceeds the maximum amount of the outline approval. If this happens, a change request for additional funding would need to be made to WYCA. It should be noted that the WYCA funding stream ends in March 2021, with works on site currently programmed to complete in April 2021. WYCA have confirmed that projected costs to complete the project can be submitted prior to the end date to ensure that there is no shortfall in funding.

4.6.3 Failure to secure approval for further funding from WYCA would mean that the Council would have to meet the shortfall, otherwise work would have to stop with the result that not all of the required infrastructure would be provided. The area would still benefit from the infrastructure that had actually been provided, but there is a risk that the flexibility offered by the proposed arrangements would be lost.

4.6.4 The terms of the Council's agreement with NPG remain subject to negotiations, but the terms as set out by NPG in their offer require a single upfront payment based on their initial cost estimate. If the actual costs are lower, a refund would be provided, but if they are higher a further payment would be due to NPG, with the Council seeking additional funding from WYCA as set out above. For purposes of project review/control, the timing of payments to NPG is to be discussed further with them with the emphasis on a requirement for retrospective payment for completed work as opposed to an upfront payment. Notwithstanding this, if an

upfront payment is the only option, it should be noted that NPG would be contractually obliged to the Council to deliver the infrastructure works.

- 4.6.5 In the absence of agreements being entered into in advance with landowner/developers who will benefit from the provision of the infrastructure it is possible that the Council may not recover the whole of the cost of installing the infrastructure if not all of the power reserved by NPG has been used by the end of the agreed reservation period. Based on capacity requirements by development already delivered and anticipated development in the Enterprise Zone and adjoining areas this is considered to be low risk.

5 Conclusions

- 5.1 Good progress is being made on the delivery of the Leeds Enterprise Zone with a number of high profile occupiers already committed to the zone and development activity underway on all of the sites.
- 5.2 The Enterprise Zone and wider areas have made a key contribution to the Leeds economy in recent years, with growth set to continue. Whilst it may be the case that the provision of an additional energy supply could ultimately be met by the market there is a risk that this is not realised in a way that optimises the further growth potential and for that reason the proposals outlined in this report will provide security of energy supply and the most positive backdrop for future investment. Whilst a large amount of infrastructure has already been delivered, now is the right time to further invest to ensure long-term delivery within the Enterprise Zone and wider Aire Valley and ensure the delivery of development, jobs and secure additional business rates for the LEP thus enabling additional investment in the region.

6 Recommendations

- 6.1 Executive Board is recommended to:
- i) Note the progress made to secure development and occupation of new floorspace within the Enterprise Zone;
 - ii) Subject to the approval of a Final Business Case by the West Yorkshire Combined Authority, approve the principle of the Council entering into agreements with Northern Powergrid and the Combined Authority, as well as with relevant landowners/developers, to facilitate the construction of the infrastructure required to provide an additional power supply for the Enterprise Zone and the adjoining area;
 - iii) Delegate authority to the Director of City Development to negotiate and enter into an agreement with West Yorkshire Combined Authority for the provision of funding to support power infrastructure delivery and to inject the funding provided into the Council's Capital Programme;
 - iv) Agree that, subject to an agreement acceptable to the Director of City Development being negotiated with Northern Powergrid for the installation of the required infrastructure, the Director of City Development be given

delegated authority to accept a formal quote from Northern Powergrid and to incur the necessary expenditure to facilitate such installation; and

- v) Delegate authority to the Director of City Development to negotiate and enter into agreements with Northern Powergrid for the installation of the required infrastructure and with relevant landowners to recover the costs of installing such infrastructure.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Appendix 1 - Equality Screening

**Equality, Diversity,
Cohesion and
Integration Screening**

As a public authority we need to ensure that all our strategies, policies, service and functions, both current and proposed have given proper consideration to equality, diversity, cohesion and integration.

A **screening** process can help judge relevance and provides a record of both the **process** and **decision**. Screening should be a short, sharp exercise that determines relevance for all new and revised strategies, policies, services and functions. Completed at the earliest opportunity it will help to determine:

- the relevance of proposals and decisions to equality, diversity, cohesion and integration.
- whether or not equality, diversity, cohesion and integration is being/has already been considered, and
- whether or not it is necessary to carry out an impact assessment.

Directorate: City Development	Service area: Asset Management and Regeneration
Lead person: Neall Bower	Contact number: 0113 37 87724

1. Title: Leeds City Region Enterprise Zone Update and Infrastructure Delivery		
Is this a:		
<input type="checkbox"/> Strategy / Policy	<input type="checkbox"/> Service / Function	<input checked="" type="checkbox"/> Other
If other, please specify		

2. Please provide a brief description of what you are screening
<p>This screening exercise relates to recommendations to be made to the Council's Executive Board on the 17 October 2018.</p> <p>The purpose is twofold; screening predominantly to agree the process to deliver a power solution which is intended to ensure that the required infrastructure is in place to secure continued delivery within the Enterprise Zone and wider Aire Valley area.</p>

To update Exec Board on progress within the Leeds City Region Enterprise Zone.

3. Relevance to equality, diversity, cohesion and integration

All the council's strategies/policies, services/functions affect service users, employees or the wider community – city wide or more local. These will also have a greater/lesser relevance to equality, diversity, cohesion and integration.

The following questions will help you to identify how relevant your proposals are.

When considering these questions think about age, carers, disability, gender reassignment, race, religion or belief, sex, sexual orientation. Also those areas that impact on or relate to equality: tackling poverty and improving health and well-being.

Questions	Yes	No
Is there an existing or likely differential impact for the different equality characteristics?		X
Have there been or likely to be any public concerns about the policy or proposal?		X
Could the proposal affect how our services, commissioning or procurement activities are organised, provided, located and by whom?		X
Could the proposal affect our workforce or employment practices?		X
Does the proposal involve or will it have an impact on <ul style="list-style-type: none"> • Eliminating unlawful discrimination, victimisation and harassment • Advancing equality of opportunity • Fostering good relations 		X

If you have answered **no** to the questions above please complete **sections 6 and 7**

If you have answered **yes** to any of the above and;

- Believe you have already considered the impact on equality, diversity, cohesion and integration within your proposal please go to **section 4**.
- Are not already considering the impact on equality, diversity, cohesion and integration within your proposal please go to **section 5**.

4. Considering the impact on equality, diversity, cohesion and integration

If you can demonstrate you have considered how your proposals impact on equality, diversity, cohesion and integration you have carried out an impact assessment.

Please provide specific details for all three areas below (use the prompts for guidance).

- **How have you considered equality, diversity, cohesion and integration?** (**think about** the scope of the proposal, who is likely to be affected, equality related information, gaps in information and plans to address, consultation and engagement

activities (taken place or planned) with those likely to be affected)
<ul style="list-style-type: none"> • Key findings (think about any potential positive and negative impact on different equality characteristics, potential to promote strong and positive relationships between groups, potential to bring groups/communities into increased contact with each other, perception that the proposal could benefit one group at the expense of another)
<ul style="list-style-type: none"> • Actions (think about how you will promote positive impact and remove/ reduce negative impact)

5. If you are not already considering the impact on equality, diversity, cohesion and integration you will need to carry out an impact assessment.	
Date to scope and plan your impact assessment:	
Date to complete your impact assessment	
Lead person for your impact assessment (Include name and job title)	

6. Governance, ownership and approval		
Please state here who has approved the actions and outcomes of the screening		
Name	Job title	Date
Neall Bower	Senior Regeneration Officer	5 September 18
Date screening completed		5 September 18

7. Publishing
Though all key decisions are required to give due regard to equality the council only publishes those related to Executive Board, Full Council, Key Delegated Decisions or a Significant Operational Decision .
A copy of this equality screening should be attached as an appendix to the decision making report: <ul style="list-style-type: none"> • Governance Services will publish those relating to Executive Board and Full Council.

- The appropriate directorate will publish those relating to Delegated Decisions and Significant Operational Decisions.
- A copy of all other equality screenings that are not to be published should be sent to equalityteam@leeds.gov.uk for record.

Complete the appropriate section below with the date the report and attached screening was sent:

For Executive Board or Full Council – sent to Governance Services	Date sent:
For Delegated Decisions or Significant Operational Decisions – sent to appropriate Directorate	Date sent:
All other decisions – sent to equalityteam@leeds.gov.uk	Date sent: