ECONOMY AND BUSINESS DEVELOPMENT SCRUTINY COMMITTEE

15 MARCH 2016

PRESENT: Councillor P Strachan (Chairman); Councillors A Southam (Vice-Chairman), B Adams, J Bloom (in place of Hawkett), Branston, A Christensen, P Irwin, C Poll, J Ward and W Whyte.

IN ATTENDANCE: Councillors Mrs J Blake, N Blake and C Adams

APOLOGIES: Councillors M Hawkett and T Hunter-Watts

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 20 January, 2016, be approved as a correct record.

2. BROADBAND PROVISION IN THE VALE

In December 2014 the Council had committed £1.536m of New Homes Bonus funding to support the rollout of broadband across the district. £200,000 of this had been used to run a pilot project and to create Aylesbury Vale Broadband (AVB) to provide a service to the North Marston and Granborough area.

AVB was 95% owned by AVDC and 5% owned by Ironic Thought. AVB was being funded by a commercial loan from AVDC, repayable by 2022 and with an interest rate of 7.5%. The ambition set out in the original business plan was to start to make an operating profit by the end of the second year of the whole pilot network going live. The company is on track to achieve this.

The Company had been incorporated in June 2015 and the physical works had then commenced in August 2015. An update had been provided in September 2015 to the Committee, with a further update provided to this meeting. In addition to the information reported to the meeting, latest news and information about the programme could be accessed from the AVB website at www.avbroadband.co.uk.

Mr Andrew Mills (Aylesbury Vale Broadband) and Mr Navin Sankersingh (Connected Counties) attended the scrutiny meeting to present to the Committee and to answer queries from Members.

Since the last Committee report, the network had gone live in parts of the North Marston area in November 2015 and was currently being extended to Granborough. There had been a 40% take up for the areas currently served in North Marston, which was significantly higher than the take up for the Connected Counties programme for example, which was just under 20% ("take up" is the industry standard measurement for the percentage of properties using the service out of the households the network reaches). The aim was to increase this take up to the 60% set out in the business plan and increase the take up as the rollout continues.

The broadband service had been extended to the North Marston school which was allowing the school to utilise on-line resources that had previously been inaccessible. It was also reaching farming properties, some of which were up to 3kms from the centre of North Marston. A free public Wi-Fi spot was being offered around the church in North Marston and in the coming weeks free Wi-Fi access would also be provided to the village hall and shop area. This would help to encourage the use of community facilities as well as addressing the issue of mobile black spots in the village.

The AVB network was classified as an ultra-fast broadband service (i.e. delivering at least 300Mb/s), with this speed of broadband currently only available to 2% of the UK population. The broadband pricing strategy was:-

- 30 MB/s up and down - £30 per month (cheapest package).
- 100 MB/s - £38 per month.
- 300 MB/s - £135 per month.

In addition to providing an ultra-fast fibre broadband service in rural Aylesbury Vale, AVB's presence had also driven an additional estimated £600,000 investment by other broadband providers (both fixed and wireless). As with all pilot projects, there had been a number of lessons learned, that would be considered as part of the overall project evaluation.

Members were informed that there had been significant interest and demand from many locations across the Vale for improved broadband provision and there were 55 locations in the Vale that had requested AVB consider extending the service to their area. The company was now focusing on completing the work in the pilot area before actively considering what next steps might be taken to further roll out the service.

Alongside the AVB Pilot project, work had also been progressing with the next stage of the Connected Counties scheme. As part of this programme BT have been asked to model over £4m of district council, Local Enterprise Partnership and Government funding. A number of preference areas had been included in this extension programme in order to help focus the responses. The LEP had also identified a number of preference areas across the country where there was a high business/homeworking incidence and this included a number of areas in the Vale.

In addition, the villages of Ashendon, Aston Abbotts, Bishopstone, Calvert Green, Charndon, Drayton Parslow, Hardwick, Great Brickhill, Lillingstone Lovell, Newton Longville, Stewkley, Thornton and Wingrave and Rowsham have been specified as preference areas. These had been identified as areas that had very poor or no broadband coverage and where a high level of demand had been expressed through the previous connected counties project or the AVB scheme. BT had been asked to prioritise a solution in these areas if possible as part of their response to the contract extension.

The Committee was also provided with information on the superfast broadband extension to Bucks, as part of Contract 2 with Herts CC, and the issues that were holding back the release of a full impact assessment that would allow the project to progress. Until it was resolved it would not be possible to confirm the areas that were in scope for contract 2 of the Connected Counties project and the resultant proposed rollout dates.

It was anticipated that AVDC would be in a position to confirm where the rest of £1.356m of the NHB funding set aside for broadband activity would be invested by the end April 2016 at the latest.

Members requested further information and were informed as follows:-

(i) that getting AVB up and running had been extremely challenging, with AVB having to use 3 civil teams for the cable laying due to a number of issues. There had also been issues to overcome as the ducting for the cable crossed both public and private land.

(ii) that AVB would be looking to improve communication with users by having village champions to disseminate information locally. Two videos had also been posted on Facebook.

(iii) that the new broadband service had been taken up by 40% of the properties in North Marston that were reached by the service (which also equated to 14% of all available properties in that area). The average subscription cost was £36 per month, with projected income for March 2016 of £2,300.

(iv) that the feedback from customers receiving the new service had been overwhelmingly positive.

(v) that while there were far fewer problems and support requirements due to AVB providing the service over dedicated fibre, it was recognised that more robust customer support arrangements would need to be put in place, such as a support desk, as AVB grew.

(vi) that it should be possible in the future for the fibre network to be extended to villages around large settlements.

(vii) an explanation was provided on issues regarding the superfast broadband extension to Bucks, including that it was intended to expand the Dayrell exchange as a part of the Contract 2 with Herts CC which would improve broadband provided to the Lillingstone Lovell and Thornton areas of the District.

An undertaking was given to provide the local Member with more information in due course on this particular issue.

(viii) that currently customers primarily found out about AVB through word of mouth. However, as the business grew it was the intention to appoint a dedicated Civils Manager and some engineering apprentices to assist in further rolling out the service.

(ix) that Contract 1 of the Connected Counties project had connected 44,100 of the 45,000 households. It was hoped that Contract 2 would be signed off by April 2016, with work then undertaken from the end of 2016 for two to two and a half years.

(x) That AVDC had pressed the HS2 Select Committee about the possibility of providing fast broadband alongside the HS2 line, although nothing had been confirmed.

(xi) that BT had indicated as part of their response to the broadband programme specification that they were looking to provide a 94% response in the contract for broadband provision to the villages mentioned in paragraph 3.15 of the Committee report.

RESOLVED –

(1) That Mr Mills and Mr Sankersingh be thanked for attending the meeting and providing an update position to Members.

(2) That the latest position regarding the broadband programmes and the rollout of broadband in the District be noted.

3. ENTERPRISE ZONE UPDATE ON PROGRESS

The Committee received a report updating Members on the arrangements for the establishment and operation of the Aylesbury Vale Enterprise Zone (AVEZ). Enterprise Zones are an important part of the Government's programme to devolve responsibility for leadership of local growth and provide a powerful tool for areas to develop their local economy.

In the latter stages of 2015, working closely with public and private sector partners, BTVLEP had submitted an application for an Aylesbury Vale Enterprise Zone (AVEZ) with the support of AVDC, which had subsequently been accepted by central government. The award of the AVEX was a testament to the positive partnership working between AVDC, BCC, BTVLEP, Silverstone Park, Westcott Venture Park and Arla Dairies.

Businesses basing themselves on Enterprise Zones can access up to 100% business rate discount worth up to £275,000 per annum over a 5 year period. This benefit can only be offered up until March 2022, from which point the benefit will taper until the offer expires in March 2027. In addition, Enterprise Zones benefit from 100% retention of business rate growth for LEPs to reinvest in development on the Enterprise Zones (through discussion and negotiation with partners).

The LEP, landowners and Local Authority Partners in the Enterprise Zone would also continue to benefit from 100% growth of business rates retention for 25 years with 100% protection from any future reset or redistribution and as such, would sit outside the standard LA rates retention arrangements that would exist outside Enterprise Zones. Business rate growth on an Enterprise Zone would not count towards an authority's business rate baseline income and, as a result, would not be used in the calculation for local authority top ups or tariff payments. Furthermore, EZ's business rate discounts and capital allowances that were fully funded by the Government would generate business rates income that would not otherwise have arisen.

Importantly, all of the Business Rates generated on the Enterprise Zone sites would be under the control of the Enterprise Zone's Governance Board. The District and County Councils would not automatically receive any proportion of the Business Rates generated on these sites (currently 40% to AVDC and 9% to BCC). However, it was possible to agree within the MoU and partnership agreement, that a proportion of the growth should still go to the local authorities, but this had to be negotiated and documented.

Because of this fact, the outline submission to the Government (referred to below) included the prerequisite that neither authority should financially be any worse off from the creation of these Enterprise Zones. This is particularly important when it is considered that a significant proportion of the Vale's business rates growth over the next 2 decades might have been located within these areas. It is estimated that AVDC might have benefited by anything up to £30 million in revenue terms over that timeframe from these sites (using existing calculation methodology). Agreement of the detailed terms of the MoU and inter party agreement would therefore be vitally important.

The Aylesbury Vale Enterprise Zone comprised three elements which were further expanded on in the Committee report and in the Annexe 1. These elements were:-

- The Space Related element of the Westcott Venture Park site. The space propulsion element had not seen any major development since the 1940s but the allocated land could attract the higher value knowledge economy type business and investment. Investment in this Space Sector was currently heavily controlled by Government through the European and UK Space Agencies.

AVDC were working closely with Westcott and a major space engineering company to locate to Westcott with a view to them being established and up and running by March 2017

- The currently undeveloped site K of the Silverstone site. Being an EZ would support the acceleration of the development of the site and attract businesses. Site K had outline planning permission for employment uses and a recent detailed planning permission of a first phase of development totalling some 11,000m² of new floor space.

- On Arla/Woodlands, the site included a mix of consented land (Arla development) and unconsented (led by Buckinghamshire Advantage) land. This site was intended to have a focus on Food and Drink, Health and Care related activities.

The Committee report went on to explain the prospective governance framework for the Enterprise Zone which would include having formal approval of a Memorandum of Understanding for the AVEZ. The Government was now asking all parties to agree an MoU for each EZ. For them to be effective, the MoU would need to be agreed by all parties, i.e. AVDC Cabinet, BCC Cabinet, the LEP and the landowners in place by April 2016. The MoU would need to set out how monies would be allocated and the final governance arrangements. For example, this could cover arrangements for the wider business rates devolution.

The AVEZ Strategic Board would be responsible for maximising the potential of this location to benefit Buckinghamshire and for managing the delivery of the strategic vision.

Separately, BCC, AVDC and BTVLEP had discussed the idea of a Partnership Arrangement existing between BTVLEP and the Collection Authority (i.e. Accountable Body) setting out the services to be provided by Accountable Body and what kind of finance systems would site around the arrangements.

In summary, the Committee was informed that the approval of Aylesbury Vale Enterprise Zone status was an enormous boost to help grow existing businesses and attract and accelerate new investment in 3 strategically key sites and in key knowledge based manufacturing and technology sectors for the Vale in which the UK was a global leader.

Members requested further information and were informed:-

- that the AVEZ would retain 100% of growth in business rates to re-invest in development of the EZ, although discussions and negotiations would be needed between partners to decide on how this happened.

- that local Members would be regularly kept abreast with what was happening in the EZ elements in their areas.

- that the AVEZ would be looking to attract new business and ventures, rather than poaching businesses from within the local area.

- that AVDC would be looking to play a big part in developing the Communications Strategy and Action plan for the AVEZ.

RESOLVED –

(1) That the progress made with partners regarding the formal establishment of the Aylesbury Vale Enterprise Zone be noted.

(2) That the Committee was supportive of AVDC's Cabinet moving forward and formally approving a Memorandum of Understanding and supporting Partnership Agreement for the establishment of the Aylesbury Vale Enterprise Zone.

4. AYLESBURY VALE ESTATES BUSINESS PLAN

A report, together with confidential appendices which detailed Aylesbury Vale Estates (AVE) Business Plan for 2016/2017 was presented to give the Committee an opportunity to consider it and pass any comments onto Cabinet. The Committee was reminded that, the Council and the Akeman Partnership LLP (Akeman) had set up AVE in October 2009, following a competitive dialogue procurement, to manage, improve and develop the Council's commercial property portfolio and provide an income stream to the Council. The partnership was governed by a formal Members' Agreement and managed by a partnership board on which the Council had 3 representatives.

Akeman had produced a draft Partnership Business Plan for AVE as part of their bid, which had been approved by the Cabinet in June 2009. The final version of the Plan formed part of the completion documentation approved in October 2009. The Board meet on a regular basis to review progress on the Business Plan and monitor performance of the Asset Manager, Akeman Asset Management LLP. The Members' Agreement provided for AVE to prepare a new Business Plan before the end of their accounting year and for this to be circulated to the Council and Akeman for approval. The Business Plan set out AVE's objectives for the life of the Partnership (20 years) and the annual overarching objectives for each accounting period. In particular, the Plan had to include a statement that AVE's business would be operated with a view to producing the best risk adjusted profit obtainable and to maximise the risk adjusted rate of return to the Council and Akeman.

The draft Business Plan identified the 'core assets' within the portfolio, i.e. those assets which had the greatest collective bearing on the portfolio in total, and were therefore the subject of greatest management attention, namely the estates at Rabans Lane North, Rabans Close, Edison Road, Bessemer Crescent, Stocklake, Gatehouse Way and Hale Leys Shopping Centre. These assets had their own dedicated Asset Management Strategy which was submitted to the Board for approval. During the 2012-13 financial year, AVE had purchased the Hale Leys Shopping Centre, creating a separate special purpose vehicle, Hale Leys LLP, to own and manage the centre. By value, the shopping centre made up about a quarter of the total portfolio value of AVE. A separate cashflow for the Centre was detailed at Appendix 2 to the confidential pages

The Business Plan included a range of assumptions about the future behaviour of tenants and the wider market. In order to provide Members with an improved understanding of the impact of future events on the performance of the business, two 'cases' were presented: a pessimistic 'base' case and an optimistic 'enhanced' case. The expectation was that reality would fall somewhere between these two extremes. The cashflows supporting the base and enhanced business plan were detailed at Appendices 3 and 4 to the confidential pages.

Looking back, the UK market had finally started to see more confidence in 2015 spread out from central London to other occupier markets which had benefited locations like Aylesbury. However, the retail market remained volatile. The core aims of the company remained the same to increase investor revenue flows and support the Council's economic development ambitions. During 2015/16, the following progress had been made:-

- completing the sale of the Whitehill Surgery and Ardenham Lane car park to the medical practice who occupied the site on a long and unsatisfactory lease.
- the sale of the Pembroke Road estate to AVDC to allow expansion of the Council's depot, was due to be complete before the end of AVE's financial year.
- the Phase 1 Gateway affordable housing project was due to be completed later this year.
- lettings had occurred across the portfolio in line with expectations with 23 new leases completed, 10 vacating (4 of which relocated to AVE premises elsewhere), and 8 renewing their leases.
- the overall vacancy level for the multi let estates had decreased and was now as low as 7.8% for some parts of the estate although it remained stubbornly high, over 25%, for other areas.
- despite market volatility, Hale Leys Shopping Centre was 100% occupied.
- a distribution to members of AVE had been deferred until 2016/17.
- a refurbishment of Bessemer Crescent units had been highly successful and resulted in an increase in lettings with an end year forecast of 7.8% vacancy.

Looking forward, the UK economy was doing well compared to many other countries although the market still needed to deal with uncertainties created by a possible exit from the EU, continued austerity and the slow down of the Chinese economy.

During the next 12 months, the Plan would focus on:-

- continuing and extending the refurbishment programme to improve the multi let estates to reduce vacancies, increase rent and help generate employment through the increased lettings.
- making a distribution to members of the partnership.
- identifying investment opportunities to grow/diversify the portfolio and enhance its value. This would include consideration of any opportunities arising from the emerging Vale of Aylesbury Local Plan.
- bringing forward a number of developments including the completion of the affordable housing project on the Gateway site (Phase 1) and bringing forward Gateway Phase 2.
- securing the renewal leases of key tenants of the Hale Leys Shopping Centre and engagement in the process to develop the next phases of the Waterside North development.
- the transfer of 'community assets' where there was a demand to do so and it makes economic sense from AVE's perspective.

Members considered the information in the Committee report and confidential appendices, and in response to questions were informed:-

(i) that AVE compared their performance against the Investment Property Databank (IPD) which was the standard benchmark for investors to analyse the performance of property in the UK market. AVE's performance was consistently better than comparable managed properties.

(ii) on the work and measures that AVE were taking to mitigate market uncertainties.

(iii) that broadband had been upgraded to properties in Rabans Close, with a view to attracting more higher end users.

(iv) that while AVE had not externally benchmarked its performance there was no reason why this couldn't happen in the future, subject to shareholder agreement.

(v) that AVE would be interested in investing/managing centres and general convenience facilities in Aylesbury, should the opportunity arise.

(vi) that AVE would look to identify investment opportunities to grow/diversify the portfolio and enhance its value, in particular, opportunities that might arise from the emerging Vale of Aylesbury Local Plan.

(vii) on a number of other issues relating to information covered in the confidential appendices.

RESOLVED –

(1) That Cabinet be recommended to approve the AVE Business Plan for 2016/2017.

(2) That a further report on AVE's performance be submitted to the Scrutiny Committee in 6 months.

NOTE: Councillor Whyte declared a personal interest in this agenda item as a Council representative on the Aylesbury Vale Estates Board.