

Investing in Hertfordshire



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Workshop 2 Friday 30th April 2021

Welcome from Cllr David Williams

Recap from Workshop 1

Hertfordshire's strategy for securing investment

The pipeline of investable projects

The potential to maximise existing funds

A Regional Investment Fund for Hertfordshire

Hertfordshire Investment Framework

Investor development work

Introduction

Three main objectives:

Share learning, best practice, understanding of the art of the possible

Shape an investment strategy tailored to Hertfordshire

Identify and agree the practical features and implementation

Approach:



Recap from Workshop 1

Our ambition:

Secure public and private investment into Herts to support jobs and communities

Situation analysis:

Where are we?

- Tactical decision making
- Limited recycling of investment
- No clear market messaging
- Scope for greater efficiency
- Recent Government investment
- Large scale commercial investors in Herts
- Difficult to measure impact

Where do we want to be?

- Agreed investment priorities
- Clear investment framework
- Sharing of risk and reward
- Clearly defined (sub) funds
- Robust governance
- Strategic partnerships
- Innovative delivery structures

How do we get there?

- Defined Investment Framework
- Agreed objectives
- Rigorous governance processes
- The right advice
- Consistent investor messaging
- Defined investment funds
- Clear project selection criteria

What could stop us?

- Partners objectives not aligned
- Inconsistent market message
- Clarity of fund objectives
- Risk not being understood
- Lack of Government support
- Lack of quality deal flow
- Competing regions

Recap from workshop 1: Agreed next steps for development...

- Investor development work
 - get better as a place at helping businesses, and Government, think about investing in Hertfordshire
- Further appraisal of the investment pipeline
 - schemes, pump prime funding, decisions sought
- Develop a strategy for investment into major, long term, infrastructure e.g. MRT
- Explore potential for maximising existing funds
 - e.g. top slice apprenticeship levy; allocation of existing funds; others
- Regional Investment Funds – an opportunity for Hertfordshire?
- Design of the investment system
 - Governance (including an investment advisory panel); Appraisal; Fund Management

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Hertfordshire's strategy for securing investment

The core features of the strategy will be to:

- Leverage real sector strengths:
 - Cell and Gene
 - Life Sciences
 - Film & Media
 - MMC
- Focus on regeneration; large settlements and major infrastructure opportunities
- Demonstrate strong, visible, consistent and pro-active political leadership
- Provide investors with a clear vision, strategy, planning landscape, and decision making processes
- Invite access to Officers – Chief Executive, Head of Planning and knowledgeable core team
- Offer flexibility and creativity, transition from strategy to implementation, and stickability

Hertfordshire's strategy for securing investment

An Investment Strategy will provide a basis to assess projects for potential investment and when making recommendations for investments.

The underlying principles of the proposed Investment Strategy will include:

- All investments must be made against agreed investment criteria; align with relevant Local Plans; and reflect Hertfordshire's economic priorities.
- Investments will be selected on the basis that the project is viable; carries appropriate risk and the terms are equal to or above the Hertfordshire minimum level of return.
- All investments will be subject to appropriate risk, business case assessments and due diligence by an appointed Fund Advisor and must fulfil the requirements of the Investment Strategy.
- The Fund will not provide grants.
- The investment criteria are reviewed annually.

The Investment Strategy will evolve throughout the life of any Fund, as a better understanding of the type of projects in the area is garnered, the local priorities vary and as the public and private sector funding landscape changes overtime.

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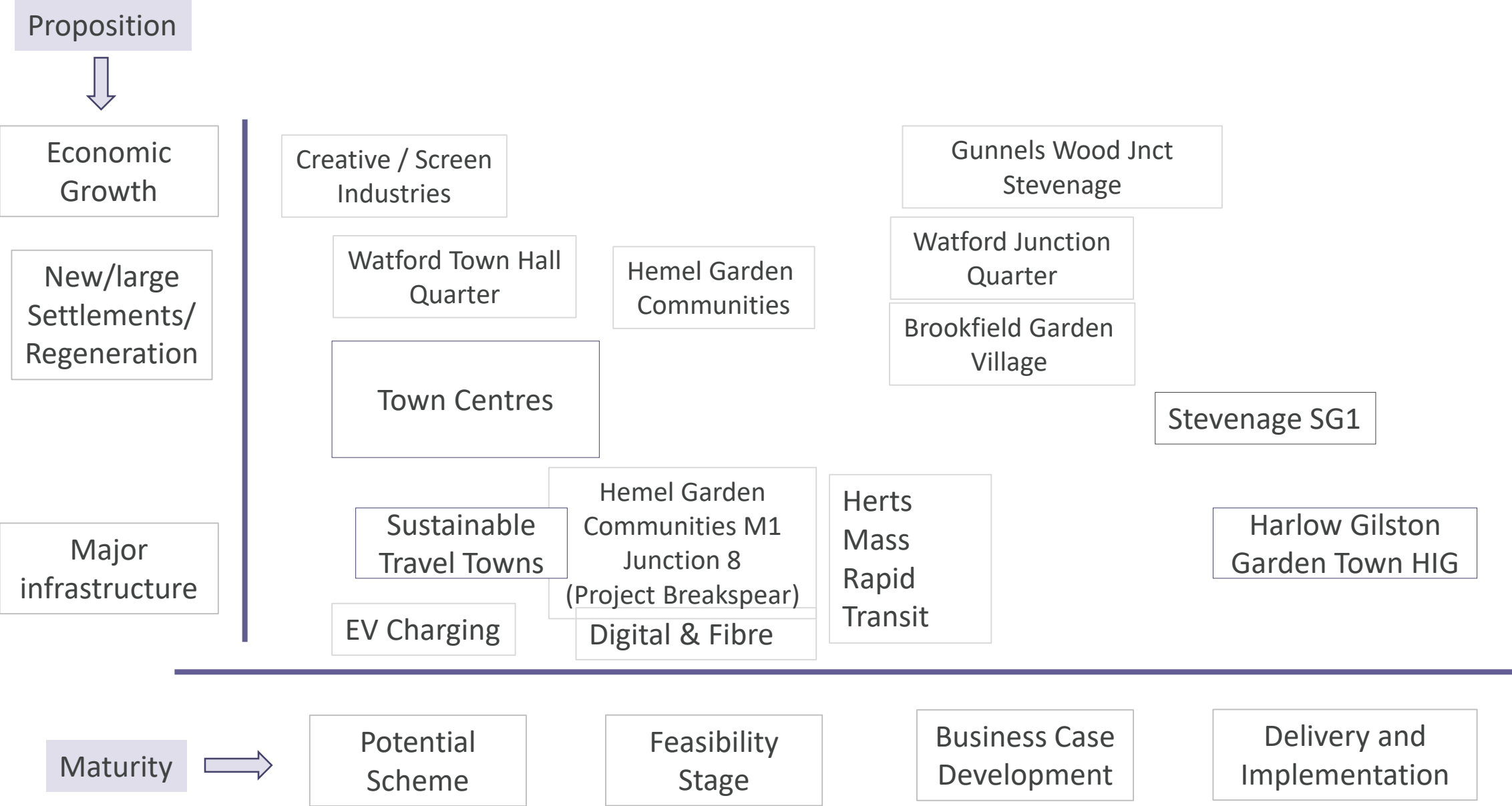
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The pipeline of investable projects (current)



Hertfordshire Investment Pipeline

- Our key projects need up to date Strategic Business cases
- We need the skills and capacity in Hertfordshire to prepare and evaluate our project propositions collectively
- Projects need a compelling narrative and context
- Our Growth Board work needs to evolve a collective system and process for this area of work



Homes &
Communities



Infrastructure



Environment



Economy & Jobs



Investment



Positioning with
Government

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Potential fund sources

- S106, CIL
- NHB
- Borrowing under prudential code
- Capital receipts from sale of assets
- Land identified for investment
- LEP Legacy Funding
- Apprenticeship Levy
- UK Infrastructure bank (when available)

Principles to discuss...

- Councils keeping their own investments in Hertfordshire
- Pooling / top slicing interest/appetite
- Red lines to consider

We won't attract private sector funding if they don't think we are serious about investing in Herts

No easy decisions or low hanging fruit

Are there any areas you would like to investigate further?

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Regional Investment Funds

GRANT FUNDING

- High risk
- Limited or no return
- Lack of alternative funders
- Output driven

REGIONAL INVESTMENT FUNDS

- Managed risk and return
- FOCUS ON STALLED SCHEMES
- Where public sector intervention is required to unlock
- Output driven

COMMERCIAL FINANCE

- Clear and understandable risk profile
- Strong rationale and case for commercial finance
- Commercial return

Hertfordshire Regional Investment Fund

What is it...

The concept of the Fund would be to provide a framework and mechanism for making multiple investments into real estate and infrastructure on a co-ordinated, transparent and commercial basis.

The primary objective of the Fund would be to support regeneration and economic growth across the Hertfordshire region. All investments and returns will be fully repayable and re-invested in further projects in accordance with an approved Investment Strategy.

The Fund would enable local development schemes to be unlocked or accelerated, delivering immediate economic outputs,

Hertfordshire Regional Investment Fund

What could be the anticipated fund size and from where would funds be sourced?

Experience elsewhere suggests that they require an upfront commitment of £30 - £50m.

This would be provided through contributions from across Hertfordshire partners.

This initial commitment would provide access to a breadth of investment opportunities and demonstrate a firm commitment to the wider market with a view to leveraging further inward investment.

The Fund would be capitalised based on contributions from each Hertfordshire local authority partner.

The proposed approach presents a strong message to the wider market and central government that there is a clear alignment between partners and a joint commitment towards growing the sub-regional economy.

Once initial investments have been made, Hertfordshire may seek to attract additional public sector investment e.g. local pension funds, to support the growth of the Fund.

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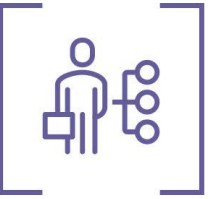
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Hertfordshire Investment Framework – Principles and Components



Governance of any Hertfordshire Investment Fund via HGB voting partners

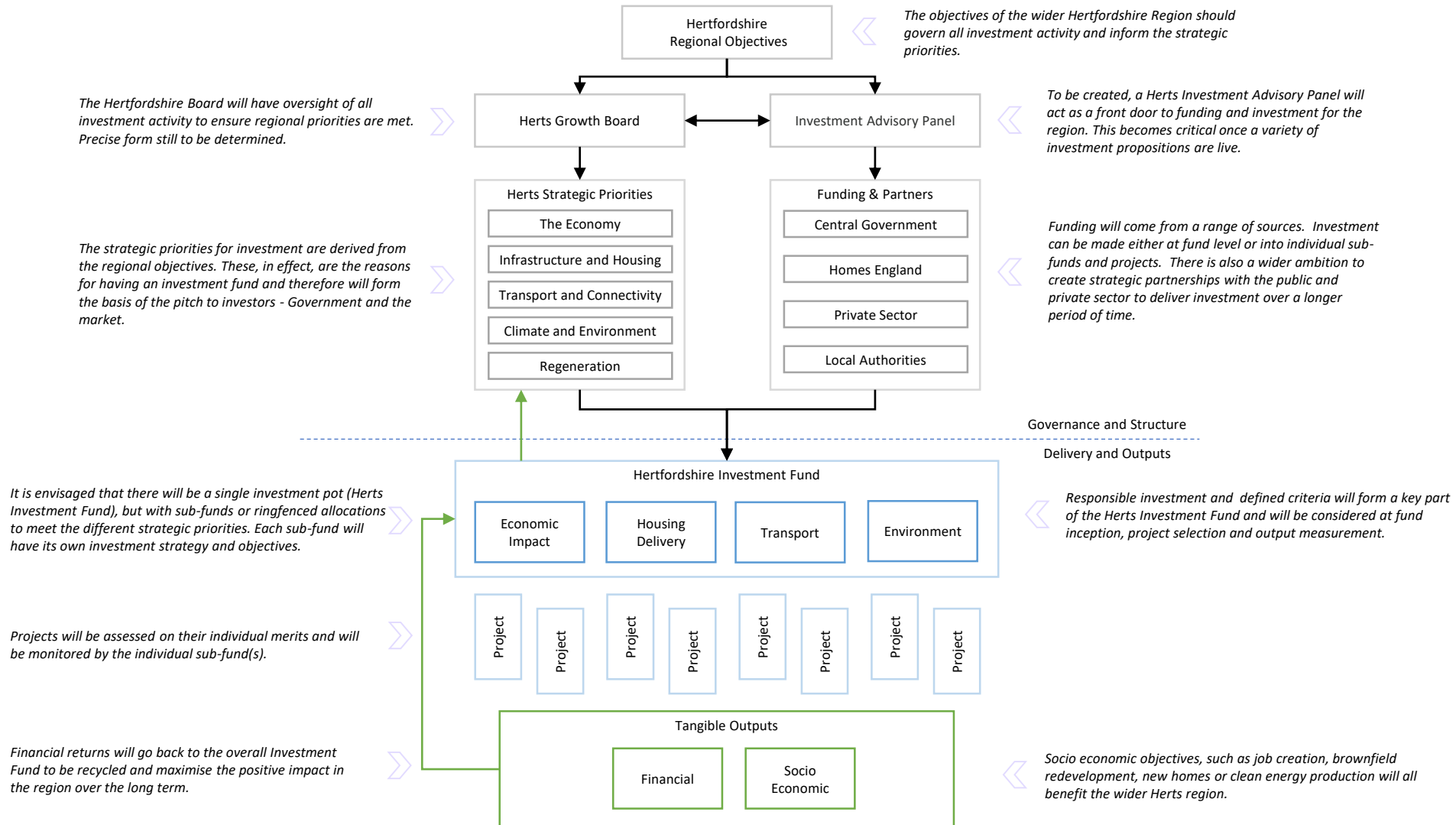
Hertfordshire Investment Advisory Panel

Objective oversight of investment priorities that makes recommendations to the HGB

Fund Management and Assurance – Manage the fund for the Councils

Rolling Investments so the fund is used again and again and again

Hertfordshire Investment Framework...



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Developing an Investment Development programme

The loss of commercial floorspace is inhibiting the growth potential of existing businesses and SMEs and may be contributing to inward investors looking further afield to deliver their expansion plans.

E.g. Carl Zeiss (Welwyn Garden City to Cambridge); Heptares Therapeutics (WGC to Essex); Merck Sharpe and Dohme (Hoddesdon to Kings Cross); Dixons/Carphone Warehouse (Hemel to London)

The deteriorating image of ageing stock and the lack of grade A space may be creating a perception that Hertfordshire is “closed for business”

The reduction in the amount of floor-space may be creating operational difficulties for businesses and may limit their potential to achieve productivity improvements

Inability to service major investment enquiries originating via Department for International Trade (e.g Airbus; US Pharma company; Netflix)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Foreign Direct Investment "wins"	12	21	27	19	15	14
Total enterprises	55,490	58,305	63,685	61,765	65,640	63,930

Hertfordshire Investor development...

Core Development Activities

Key components:

- Lead investment generation e.g. the identification and targeting potential investors
- Investor servicing/facilitation to help potential investors source business opportunities
- Targeted promotion, advertising and public relations including marketing materials and collateral
- Knowledge management, data aggregation and analysis
- Policy, advocacy and influence to ensure a positive outcome for Hertfordshire

Service Offer

- Investment and Investor development programmes to help developers and overseas businesses (and also indigenous businesses) hear about local opportunities
- Centralised (single point of contact) for developers and businesses, offering access to key influencers and stakeholders to further the developer's and investor's objectives within the county
- Provide business friendly assistance and support including local intelligence and information services to help secure investment and attract internationally mobile investment funds
- Proactive local relationship management services for existing investors
- Connectivity to local networks, industry groups, and relevant membership bodies

Hertfordshire Investor development – key deliverables

A ‘soft landing’ programme – develop a functioning welcome package of support for new investors

Investor Development programme (i.e. aftercare) which will support the retention and growth of investors already in the County

Coordinate the capacities and capabilities of the eleven Local Authorities in Hertfordshire to support the inward investment activity and incoming investors through the ‘Soft Landing’ programme

Establish a small central team to deliver the inward investment agenda, build the County’s relationships with key sources of enquiries and coordinate activity with local authorities and partners

Strengthen **Accountability, governance and scrutiny structures** to maintain focus on investment

Next Steps

A paper to the Hertfordshire Growth Board capturing the main features identified through the two workshops, seeking approval to develop and implement.





Hertfordshire
Growth Board



www.HertfordshireGrowthBoard.com



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