

Agenda item 6

Hertfordshire Growth Board (HGB) – Investment into Hertfordshire Investment Strategy

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1 Purpose of report

- 1.1 In June 2021 the Board agreed that:
- Further work should be undertaken to complete Hertfordshire’s investment strategy and associated actions agreed at the exploratory investment workshops held in April. The work to be led by the Growth Board Officer Steering Group, with support from the LEP and s151 officers, including exploring how a regional investment fund could work for Hertfordshire and play a part in enabling the delivery of the strategy, reporting back to the Board in the Autumn.

2 Background - Hertfordshire Investment Ready Workstream

- 2.1 Earlier this year a short programme of work was undertaken which included two workshops with Leaders, representatives of the LEP and Chief Officers. These workshops agreed the programme of work forming our Hertfordshire investment ready workstream.
- 2.2 Hertfordshire has a track record of attracting public and private finance into certain schemes, but others are stalled in what is a challenging funding environment. The workshops provided the opportunity to discuss Hertfordshire’s approach to investment, to reflect on what is possible, and assess the practical implications that these bring.
- 2.3 The workshops considered the learning from other places that have been successful in attracting new models of investment, and the features that they have established to be recognised as investor ready. They also assessed the potential role of Private Sector investment alongside Government and Local funding. Leaders concluded that several aspects of Hertfordshire’s approach to investment should be developed further as follows:
- Finalise a strategy for investment into Hertfordshire including for major, long term, infrastructure.
 - Scope Investor development work to get better as a place at helping businesses, and Government, think about investing in Hertfordshire.
 - Undertake further appraisal of the investment pipeline schemes, including the pump prime funding needed to accelerate business case development and further planning for the timing of major decisions.
 - Explore the potential for maximising existing funds e.g., top slice apprenticeship levy; allocation of existing funds; and others.
 - Consider the potential and practical considerations of a Regional Investment Fund for Hertfordshire.

- Design of an investment framework including the appropriate governance and an investment advisory panel to provide investment appraisal and fund management capabilities.

These are considered below.

3 Hertfordshire's Investment Strategy

- 3.1 Hertfordshire has a clear ambition to secure public and private sector inward investment into the region to support jobs and communities. There has been recent Government investment of over £450m including Local Growth funding, HIF/HIG at Harlow Gilston Garden Town, Stevenage Town Deal, Accelerated Construction in Welwyn Hatfield, Salix sustainability & carbon projects; and capacity funding for Garden Towns/Communities. There has also been substantial private sector investment committed in Hertfordshire such as £3bn at Elstree by Sky/Comcast, also at Warner Bros in Leavesden, £700m by Sunset Studios in Broxbourne, £400m at GSK and £35m by Airbus in Stevenage along with MACE investment in SG1 in Stevenage Town Centre.
- 3.2 While this level of investment is significant, the overall response to the objective of maximising inward investment has lacked clear market messaging. There has been a focus on tactical decision making, with the potential for much greater recycling of investment, stronger measures of impact and greater efficiency.
- 3.3 Looking forward, a clearly defined investment framework, with agreed objectives, rigorous governance processes and consistent investor messaging will all enable Hertfordshire to get to where it wants to be. The starting point is the development of a compelling investment strategy. Work undertaken so far identifies that the core features of the Hertfordshire strategy will be to:
- Leverage real sector strengths:
 - Cell and Gene
 - Life Sciences
 - Film & Media
 - Modern Methods of Construction
 - Focus on regeneration, large settlements, and major infrastructure opportunities.
 - Demonstrate joined up, strong, visible, consistent, and pro-active political leadership. The value of this has been confirmed through the cluster work and giving clear messages to central government that we are looking to be innovative in our funding approach.
 - Provide investors with a clear vision, strategy, planning landscape, and decision-making processes.
 - Invite access to Officers – Chief Executives, Heads of Planning and knowledgeable core team; and
 - Offer flexibility and creativity, transitioning from strategy to implementation.
- 3.4 An Investment Strategy will provide a basis to assess projects for potential investment and when making recommendations for investments. It will include several underlying principles:
- 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 agreed 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 and the investment criteria are reviewed annually.

3.5 The draft Investment strategy incorporating these principles and our ambition and approach is attached at Appendix A. The strategy and associated work will evolve as a better understanding of the type of projects in the area is garnered, it will flex to meet changing local priorities and to reflect changes in the public and private sector funding landscape. The Board are invited to agree the investment strategy – it is a high-level document that is aimed at the investment community and Government. It is a starting point in assembling the components of Hertfordshire’s investment ready approach.

4 Making Hertfordshire Investor Ready

4.1 Building on the approach and principles outlined in the investment strategy, three core themes have also been identified that will enable Hertfordshire to become a highly attractive region for investors. These are each summarised in the paragraphs below:

- **A programme of Investor Development Work.** The aim of this activity would be to address the loss of commercial floorspace that 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. It would also enable Hertfordshire to respond to major investment enquiries originating via Department for International Trade, as well as leading investment generation, helping potential investors source business opportunities and running targeted promotion, advertising, and public relations campaigns. The service offer would include Investment and Investor development programmes to help developers and overseas businesses and provide a 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. This work is anchored and aligned to the work of the LEP who will lead in pivoting greater focus on inward investment, development of the core cluster opportunities and co-ordination of activity across key sectors.
- **Building a pipeline of investable projects and schemes.** Hertfordshire’s strategic growth corridors have provided the basis for identifying and capturing several major projects. Further analysis of these schemes demonstrates that a framework is needed to manage the development of the investable propositions through the business case process. This will require the skills and capacity in Hertfordshire to prepare and evaluate our project propositions collectively and ensure the projects have a compelling narrative and context. The Growth Board needs to evolve to a collective system and process for this area of work.
- **Maximising the use of existing funds.** There are several potential sources of funding that could be brought together especially if they aligned to economic, social, and environmental objectives. Further work needs to be undertaken to consider these, and the flexibilities and freedoms that Government might make available to Hertfordshire through a County Deal (for example, Tax Incremental financing, Strategic Infrastructure Tariffs) in the way that has been offered to Mayoral Combined Authority areas. The

potential to secure running cost revenue, as well as capital funding, also needs to be considered.

5 A Regional Investment Fund

- 5.1 Several places in the UK (including Manchester, Sheffield, Belfast, Cardiff) have developed and introduced regional investment funds. They exist where there is a requirement for public sector intervention to unlock commercial schemes that would otherwise remain stalled. The concept of the Fund would be to provide a framework and mechanism for making multiple investments into strategic real estate and infrastructure in Hertfordshire 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 and agreed priorities. The Fund would enable local development schemes to be unlocked or accelerated, delivering immediate economic outputs.
- 5.2 Detailed investigative work has not yet been undertaken on the principles of a Hertfordshire Fund. Experience elsewhere suggests that they require an upfront commitment of £30 - £50m. This could be provided through contributions from across Hertfordshire partners but will need to be fully investigated and considered at a later date. This initial commitment would provide access to a breadth of investment opportunities and demonstrate a firm commitment 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 to support the growth of the Fund. An earlier market assessment demonstrated a healthy pipeline of schemes that could be brought forward.
- 5.3 The principles, constraints, and benefits of establishing a Hertfordshire Investment fund will need to be fully investigated over coming months in order to report back to the Board. It will require input and capacity from the Hertfordshire Chief Finance Officers Group plus CEx's and additional expertise that will need to be brought in.
- 5.4 The creation of a fund requires a specific focus that needs its own attention. This could build on the experience the LEP has acquired from the Enterprise Zone and that it has within its existing board membership. Ultimately, having a fund will:
- show government the strength of local intent tackle stalled sites / opportunity areas / priorities within Hertfordshire.
 - enable schemes to be brought forward that deliver new jobs and support the growth of the local economy, including our key sectors and strategic growth locations; and
 - enable HGB to play its part in accelerating delivery and give leverage with regards to other government schemes or gap funding.
- 5.5 To attract investment Hertfordshire will need a strong, transparent, and easily understood framework for receiving, assessing, and managing potential investments. These arrangements will be underpinned by four clear features/principles:

- Hertfordshire Growth Board will provide the governing body, agree the investment strategy, and its objectives. It will agree an annual plan and receive reports on progress.
- Hertfordshire’s Investment Advisory Panel would be established as a subgroup of HGB with the responsibility of providing oversight of investment priorities and the delivery of the annual investment plan and its objectives.
- Fund management, would be a recognised function of the HGB, however with an objective and regulated fund management and assurance partner, working to the Hertfordshire Investment Advisory Panel; and
- There would be a rolling series of investments that allow for capital to be deployed and recycled on an ongoing basis.

6 Feedback and consultation

- 6.1 The document has been circulated to the Chief Executives Group and the Hertfordshire Chief Finance Officers Group (HCFO’s) for their input. Representatives of the HCFO’s participated in the workshops in April 2021 along with Leaders and Chief Executives. Matters raised include the need to understand how a Hertfordshire Fund would operate and implications for individual County, Districts and Boroughs – this will be covered in the future feasibility and investigative work.
- 6.2 Business input has come via the LEP with two LEP Board members providing advice and guidance at the workshop stage and on the emerging strategy document.

7 Next Steps

- 7.1 The need to secure investment into Hertfordshire remains a key economic priority for the LEP and the Growth Board. The areas identified through the workshops last year gave a focus to the workstream and actions were agreed that will support greater investment and investor activity.
- 7.2 Approval of this strategy will be a key first step in signalling Hertfordshire is investment ready. The next steps should include:
- Further development of the project pipeline – so that engagement with potential investors is backed by real investment opportunities and up to date business cases.
 - Publication of this strategy on Hertfordshire Growth Board web site – demonstrating this further step in Hertfordshire’s journey in making itself investor ready.
 - Engagement with professional advisors on the set up of an investment fund and support for the role of Fund Advisor.
 - Investigation of the Fund options and consideration of those by HGB
 - Early investigation of the feasibility of ‘launching’ the Hertfordshire Fund in late Spring 2022, including the potential to coincide with the inaugural Real Estate Investment and Infrastructure Forum (UKREiIF), which will take place in Leeds in May 2022. This event is supported by the British Property Federation and the All-Party Parliamentary Group for Regeneration and Development as well as developers and local authorities.
 - Progress updates, feasibility and costs for next steps approval via the Growth Board in March and May 2022.

8 Implications

- 8.1 There are no adverse legal, financial, equalities, environmental, sustainability or other implications arising from this report and its recommendations which support the ongoing work and priorities of the Growth Board. Full financial risk analysis and risk management assessment along with any necessary legal due diligence will be undertaken as part of the detailed development of this work as it progresses.

9 Recommendations and decisions sought

- 9.1 The Board are asked to:
- Agree the contents of the report and the draft Investment Strategy attached at Appendix A.
 - Agree the areas identified for further development to complete the Hertfordshire Investment Strategy and next steps as set out in section 7 with updates on progress to March and May 2022 HGB meetings.